

Police arrest 70 as Grunwick battle leaves 30 hurt

More than 18,000 trade unionists converged on north London yesterday in support of the Grunwick laboratory. Seventy arrests were made and 30 people, including policemen, injured in vicious battles near the gates of the

plant. In the Commons, the Home Secretary's report of the incidents brought Tory demands for government intervention. The Government is expected today to make a statement on the law on picketing.

18,000 join demonstration in support of strikers

Tim Jones, your Reporter, reports that 18,000 people, including 18,000 trade unionists from all over Britain, converged on north London yesterday in a huge display of solidarity for the picketers at the Grunwick Laboratories plant in Willesden. Mounted police were used for the first time since picketing began to contain several violent outbreaks towards the factory gates by a minority of determined demonstrators determined to prevent the bus carrying non-striking employees from entering the premises. The police action brought accusations that they had used excessive force. Mr Arthur Yargill, president of the Yorkshire area of the National Union of Mineworkers, said he had seen one policeman punching a crier in the face. During the height of the riotous picketing and demonstrators lay sprawling on the ground, and arrested men were carried away shouting obscenities. Police helmets littered the ground and cans and paper cups were thrown at police horses. Whenever it seemed that the riotous picketing was about to subside, reinforcements appeared to form a line or four deep in front of the demonstrators. After the mass of demonstrators had moved away to attend march and rally the suit, to the fury of the remaining left-wing picketers drove with a horn blaring down Chapter Road, swung into the factory and the gates shut behind it. The day started in a somewhat bizarre manner with Mr Norman Willis, assistant secretary of the TUC, attempting to inject good humour into an obviously militant section of the crowd with a rather off-key rendition of "I am the man, the very fat man who waters the workers' beer". It ended in a big, dignified march as the demonstrators



Mr Scargill, the Yorkshire miners' leader (centre, with open-neck shirt), marching near the Grunwick plant during yesterday's demonstrations. Another photograph, page 2.

and bands filed past the locked steel gates of the factory chanting "We will overcome". During the day Mr Tudor Thomas, deputy general secretary of the Association of Industrial, Executive, Clerical and Computer Staff (Apex), the union at the centre of the recognition dispute, made repeated loudhailer appeals for a peaceful picket. But at least two of the extreme left newspapers on sale in the streets around the factory carried front-page appeals for the staff bus to be halted. Young demonstrators kept up a constant chant of "The workers, united, will never be defeated" and they were prominent in the violent battles with the police.

Most of the violence in Chapter Road occurred shortly after 9 am, when the pickets, who had been massing for three hours, realized that the bus was behind schedule and might not appear. At another entrance to the factory the bus, according to the strike leaders, attempted to enter on two occasions before being forced to retreat. Mr Scargill called for the factory to be treated "like a leper" and said the dispute could be settled within 24 hours if unions combined to cut all services to it. "This battle will be won or lost on whether you leave these picket lines or whether you stay", he said during the morning. An hour later, he was leading three thousand miners on the

march. A strike official said he had misunderstood the plans. Mr Scargill's comment as he left for the march was: "The only way they can get the buses in now is if we leave, and that will be a hollow victory. We have been told we could not stop the buses but we have proved them wrong." The loudest cheer greeted members of the Union of Post Office Workers, whose London district council had organized a separate march from the Cricklewood sorting office, where staff have been suspended for refusing to handle Grunwick mail. Mr Dennis Skinner, Labour MP for Bolsover, who joined the marchers, said: "This

matter is now a test case of the new Tory attack upon basic trade union rights, and the trade union movement will not stand for it. It has been a momentous day." Mr Tudor Thomas, the Apex leader, said he was disappointed that there had been violence on the picket line. "We did our damndest to prevent violence, and a number of trade union officials tried to cool the situation", he added. Scotland Yard said yesterday's arrests were made on charges of assault, threatening behaviour and obstruction. Of the 18 policemen taken to hospital, five had been detained and the rest discharged after treatment.

Government considering change in picket law

Paul Routledge, your Editor, reports that the Government is considering changes in the law on picketing in the light of the Grunwick dispute, to relieve the police of the impossible burden of maintaining order. The main recommendation is likely to be the right for pickets to halt vehicles in exchange for a certificate of their State for Employment, will be answered by opposition leaders in the Commons about picketing. He is expected to announce that the Government has the matter under review, and will bring forward proposals for amendments to the Employment Protection Act which the Grunwick dispute is settled.

fully with the drivers of vehicles about an industrial dispute. But in return for that concession the Government would expect unions to agree "mass picketing", by agreeing to voluntary limits on pickets' activity. They would include restrictions on the number who would have the right to assemble outside factories, and perhaps confining the legal right to picket to those with a legitimate trade union interest in the dispute so as to eliminate the gathering of politically motivated militants: the so-called "rent-a-mob". The Department of Employment is also considering whether official pickets should wear armbands to distinguish them from militants seeking to take advantage of the dispute. But Mr Booth regards any solution that does not give

pickets the right to stop vehicles either on their own authority or through a policeman as running away from the issue. Without such a rule, he said, the unions will not freely cut back on the number of pickets. As it stands, the law in the Trade Union and Labour Relations Act, 1974, substantially re-enacts the provisions of the Trade Disputes Act 1906, by allowing people to picket and peacefully persuade workers not to go into a factory. Mr Christopher Ralph, a former Labour Party research officer and now a policy adviser to the Society of Civil and Public Servants, argued in a recent Fabian Society pamphlet that those going into a factory where there is a dispute are taken in by coach "precisely so that they don't have to listen to the facts".

That appears to be the cue Mr Booth is taking for his proposed reform, which had an earlier, unsuccessful appearance in a bill for the reform of the 1975 Employment Protection Act. The Government proposed under an abortive section 99 of the Bill that pickets should be able to persuade people to stop in a vehicle or not to stop for the purpose of peaceful persuasion, provided they did not obstruct the highway. Backbench Labour MPs tried to strengthen the proposal, and withdrew their support when they failed, leaving the Conservatives to knock it out of the Bill completely. Our Parliamentary Correspondent writes: The Home Secretary in the Commons yesterday refused to make use of the

Public Order Acts of 1936 and 1963 to prevent further mass demonstrations outside the Grunwick laboratories. His statement that many arrests had been made and 18 policemen injured in incidents during the day brought demands from the Conservative benches that the Government should intervene. The Home Secretary went on to dissociate the Government from all acts of violence, from wherever they came. He told the House that the number of police officers injured was unacceptable. But, he added, the people who indulged in that sort of violence were not those who supported democratic government, anyway. Most people on the march behaved perfectly properly. Union criticism, page 2. Parliamentary report, page 9.

Lord Ryder repays £49,500 gift from an unidentified party

By Malcolm Brown, Business News Staff. Lord Ryder of Eton Hastings, chairman of the National Enterprise Board, until August 1, has repaid £49,500 given to him by an unidentified party. Neither Lord Ryder, nor Mr Alex Jarrett, chairman of Reed International, the paper group, would identify the person or company involved in the payment, which was made in 1975, the year after Lord Ryder had retired from the chairmanship of Reed International to become chief industrial adviser to the Government. The existence of the payment is disclosed in the annual report and accounts of Reed International published today. A note up the accounts states: "During 1975 a payment, equal to £49,500, was made by an overseas subsidiary in respect of a former director, apparently without appropriate corporate authority. The former director, on learning of this, insisted on making immediate repayment." In an accompanying explanation, the company identified the former director as Lord Ryder and said it had come to the company's notice while preparing the report and accounts that in 1976 a payment equal to £49,500 was made by a Canadian subsidiary "a third party" who, at the request of a senior executive of that subsidiary, had previously made a comparable payment to Lord Ryder. On the evidence presently available, the executive concerned was not authorized to make such an arrangement or such a payment. The Canadian subsidiary has indicated an independent investigation into the circumstances in which the payment was made by it to this third party.

Lord Ryder has given Reed International an assurance that he believed the payment made him to him was a gift by the third party, having regard to the fact that he was not present at the time of the payment. On being informed on June 22, 1977, of the actual source of the money, Lord Ryder insisted on making immediate repayments. Lord Ryder, who 10 days ago announced that he was resigning from the National Enterprise Board with effect from August 1, said last night that the Reed International statement referred to "a post-retirement gratuity received by me in 1975 from an overseas source independent of Reed." He said: "When I learnt on June 22, 1977, that this payment had been reimbursed by the Canadian subsidiary of Reed International, I immediately insisted on repaying it. I would add that this matter had nothing whatsoever to do with my retirement from the National Enterprise Board." "I told the Prime Minister and the Secretary of State for Industry of my decision to retire on May 25, 1977, nearly one month before I first learnt of this matter. My retirement was set out fully in the correspondence which has already been published. I have nothing further to add to this statement." Lord Ryder was paid about £47,000 as chairman of Reed until he resigned in December, 1974, to become the Government's industrial adviser and later chairman of the NEB, where his salary was reported to be £31,850. Mr Jarrett told *The Times* that the subsidiary referred to throughout the Reed statement was the Toronto-based Reed Ltd, the main operating subsidiary of Reed Paper. An investigation of the matter had been ordered and was being undertaken by independent lawyers and accountants. Because the investigation was still under way he was not prepared to disclose the identity of the third party at this stage. The Reed International chairman said that he had been in contact quite frequently with Lord Ryder since the issue was brought to his attention by the auditors. Financial Editor, page 19.



Mr Turnbull sought for Leyland task

By Maurice Corina and Edward Townsend. Mr George Turnbull, the 50-year-old former managing director of British Leyland who just over three years ago quit his job and subsequently set up the South Korean motor industry, is being invited back to Britain by the Government. It is expected that Mr Turnbull, who arrives in London today from his holiday villa in Ibiza, will be appointed a member of the National Enterprise Board, with special responsibility for reorganization and the financing of the now state-owned Leyland car plant. Last night, Whitehall sources were indicating that Mr Turnbull had been in negotiation with the Department of Industry over the role he might play in assisting Leyland's top management. There are a number of problems related to his tax liabilities if he returns to Britain prematurely and the nature of his possible future relationship with the Leyland board. Yesterday, Mr Turnbull's United Kingdom representative told *The Times* that the former Leyland chief, who resigned in

PLO holds investment portfolio worth \$60m, magazine says

From Nicholas Fraser, New York, July 11. In its current issue, *Time* magazine says that the Palestine Liberation Organization (PLO) has an investment portfolio worth more than \$60m (£35m), including shares in shipyards, oil tankers, television stations, hotels and blue chip holdings in United States companies with substantial interests in the Middle East. According to *Time*, the PLO is probably the richest best-financed revolutionary terrorist organization in history. In the past year its takings amounted to \$90m, of which \$70m came from Arab governments in the form of individual donations and the \$20m the organization receives each year from the Arab League. Host governments withheld 5 per cent of the money earned by the \$300,000 Palestinians working throughout the Arab world, which is estimated at \$10m at present. Time continued: There were also contributions from wealthy Palestinians. The

balance was earned by a number of businesses operated for the PLO's benefit, including an \$8m chicken farm in Syria. In December, 1975, when the PLO was expelled from Jordan, the \$25m ransom money paid by Saudi Arabia and Iran was split between the PLO and the PLO's Palestinian comrades. The magazine said the PLO received \$5m a year from a drug market operating inside Israel and using oriental Jews as pushers. The PLO assets were held mainly through numbered bank accounts and blind names to prevent Israeli investigation. Most of the investment decisions had been made with the advice of the Arab Bank Ltd, a Palestinian-controlled house based in Amman, with assets of \$4,000m and branches or joint ventures in 19 countries, including the United States. The PLO still spent the bulk of its funds on training and terrorist organisations. How-

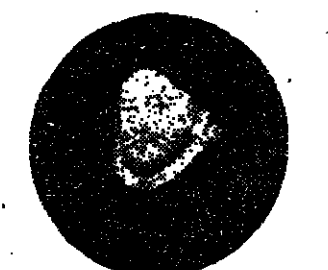
ever, the organization had built up a bureaucracy with offices in 100 countries and paid staff. Heads of the larger offices in Europe and North America received about \$1,500 a month and special "representation" allowances. The war in Lebanon cost the PLO about \$100m, according to a reliable source quoted by *Time*. Although most of the PLO's guns and ammunition were provided by other countries, notably Libya, the organization now had to care for 4,000 disabled fighters. Despite the temptations offered by the organization's haphazard accounting procedures, *Time* suggests that the PLO is relatively free of corruption. Most of its leaders, like Mr Yasser Arafat, live in ascetic style, true to the traditions of their movement. The PLO investments, the magazine concludes, have a double function—to make the Palestinians less dependent on Arab largesse and to serve as the basis of a future Palestinian state.

Ministers try to salvage pay measures

Ministers have almost abandoned the possibility of getting the unions' agreement for a third phase of the pay policy. The Cabinet's economic strategy committee had two meetings to discuss how much of the strategy could be salvaged before discussions take place with the TUC economic committee tonight. If the package of measures is not endorsed by the TUC it will be introduced nevertheless by the Government. A White Paper giving the details is expected by next Monday at the latest. Pay restraints, page 2.

Dr Owen hopeful of Rhodesia deal

Dr Owen, the Foreign Secretary, has concluded that Mr Ian Smith definitely wants a Rhodesia settlement, after hearing a report from the Anglo-American negotiating team on its latest discussions in Salisbury. The most crucial issue concerns arrangements for the transition period before elections are held. Page 7.



Record price: This miniature, dated 1572, of a nobleman by Nicholas Hilliard, approximately 15 cm square, was sold at Sotheby's for £64,000, nearly double the previous record for a Hilliard. Sale room, page 16.

Executive freed

Signor Luciano Revelli, 40, mount, the Fiat executive kidnapped in France, was released unharmed after his family had paid a ransom. Answering an anonymous telephone call, police found him in a square near the palace of Versailles, sitting on a bench. Page 6.

Staying in power

Japan's ruling Liberal Democrats have lost overall control in the Upper House, final election results show. But with the Left also faring badly, the Liberal Democrats are expected to stay in power with conservatives' help. Page 7.

England need 71 for victory

Derek Underwood, with six wickets for 66 runs, put England in a winning position in the second Test match against Australia. In spite of a brilliant 112 by their captain, Greg Chappell, Australia were all out for 218. England at close of play were eight for no wickets, needing 71 to win. John Woodcock, page 10.

Decision soon on devaluing peseta

Speculation increased last night that Spain is on the point of devaluing the peseta. Señor Adolfo Suárez's Government met yesterday to consider economic measures and the Bank of Spain suspended trading in foreign currencies. Page 17.

Disputed flight

A British Airways computer engineer has been stripped of his two British national records for gliding. The flight was a five-point vision to inspire the Muslim nations. Focus on Kuwait: A 12-page Special Report looks at the rapid development of one of the leading business centres in the Middle East. Page 7.

Artists, page 13

Paul Ovey on the fascination of the modern city; Joan Chissell on the Dingo Club piano competition at the Scala; Stanley Sault on Don Giovanni at Glyndebourne; William Mann on the Field Bicentennial concert at Covent Garden. Obituary, page 16. Lunt; Rev Harold Bridgwater, page 16.

Sport, pages 10-12

Cricketer: Vivian Richards hits season's fastest hundred. Young Lions: Australia beat Young England. Rugby Union: Grubbam Price has

Obscenity law to cover films, too

By Marcel Berlins. Films are, for the first time, to be brought within the ambit of the Obscene Publications Act, and private prosecutions against allegedly obscene films stopped. Under a government amendment to be moved at the report stage of the Criminal Law Bill tomorrow, the Obscene Publications Act, 1959, will be changed to include films in ordinary cinemas. The amendment is almost certain to be accepted. Hitherto, films have been subject to censorship by the British Board of Film Censors. A private individual has always been able to launch a prosecution alleging that a film is indecent and obscene under the common law. In future the consent of the Director of Public Prosecutions will be required before a prosecution can be brought. The inclusion of films in the Obscene Publications Act will make the test for obscenity whether the film tends to "deprave and corrupt". It will also mean that a defence of "public good" will be available. The definition in respect of films will be similar to the one available to live theatre performances: namely, that the film was "in the interests of drama, opera, ballet or any other art, or of literature or learning".

Correction

In a report in *The Times* yesterday it was stated that Rowntree Macintosh was among companies that had abandoned plans to transfer traffic from road to rail because of union pressure. We understand this is not in fact so, and we apologize to the company for any embarrassment.

Threats denied, Page 2

'Gay News' found guilty of blasphemous libel

Gay News, the homosexuals' newspaper, and its editor, Denis Lemon, were last night found guilty of blasphemous libel in the first trial of its kind for 56 years. The jury convicted both by a 10-2 majority in each case, after a retirement of five hours and five minutes. Judge Alan King-Hamilton will pass sentence today. The case concerned a poem in the newspaper published about a Roman centurion's homosexual love for Christ at the Crucifixion. The paper and Lemon, aged 32, were found guilty of "unlawfully and wickedly publishing a blasphemous libel concerning the Christian religion, namely an obscene poem and illustration vilifying Christ in his life and crucifixion". The offending poem, by Professor James Kirkup, was entitled "The love that dares to speak its name." It was written as if by a homosexual Roman centurion describing his feelings towards Christ after his body was taken down from the cross. The prosecution, begun by Mrs Mary Whitehouse and taken over by the Crown, said the poem was so vile that it would be hard even for the most perverted imagination to conjure up anything worse. The defence maintained it was not blasphemous because it

Weekend delay in petrol cut

By Our Business News Staff. The Government is to delay the 5p reduction in petrol duty from 6 pm, on Friday, August 5, to 6 pm on Monday, August 8. That is "one effect of amendments to the Finance Bill introduced yesterday." The change follows talks with trade organizations. Faced with the reduction on the earlier date, it had been feared that garages would be likely to run down stocks of petrol, with the risk that some

Constituents would be unable to obtain petrol during a busy holiday weekend.

Details of repayment arrangements are still being worked out. The consultation with the oil industry and the Motor Agents' Association. Last night the association expressed itself delighted with the change, and said there should be no shortage of supplies when the tax is reduced, and that it would be possible for retailers to lower their prices immediately.

Is the building suitably located for our key staff?

Will the floor support our latest computers?

Are canteen facilities included?

Will the air conditioning allow maximum flexibility of partition layouts?

Are we paying too much?

For advice on the many problems associated with the acquisition of new premises, whether large or small.

Edward Erdman

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ME NEWS

Experts responsible for detecting overbites are among 700 state veterinary staff working to rule

By Ian M. Gilson, Chief Editor
Primary scientists involved in the diagnosis of rabies and other serious animal diseases among 700 members of the state veterinary staff working to rule. The Government's Central Veterinary Laboratory at Weybridge, which began an work in 1976, is now a unit of the Ministry of Agriculture, Fisheries and Food. The staff is working to rule on a variety of diseases, including rabies, brucellosis, and other serious animal diseases. The staff is working to rule on a variety of diseases, including rabies, brucellosis, and other serious animal diseases. The staff is working to rule on a variety of diseases, including rabies, brucellosis, and other serious animal diseases.

the big Veterinary Vehicles Engineering Establishment, are far from London. The staff is working to rule on a variety of diseases, including rabies, brucellosis, and other serious animal diseases. The staff is working to rule on a variety of diseases, including rabies, brucellosis, and other serious animal diseases. The staff is working to rule on a variety of diseases, including rabies, brucellosis, and other serious animal diseases.

arbitration on the ground that recognized or general terms and conditions enjoyed by comparable workers in the same industry or area are not being observed by an employer, but the statute specifically excludes servants of the Crown. However, the unions have reminded the Government that on August 5, 1975, Mr Morris, in a Commons statement, emphasized the difference between Crown and private employment but indicated that civil servants should receive essentially the same benefits from the Act as other employees.

Fleet Street accused on Lib-Lab pact

By Hugh Noyes, Parliamentary Correspondent
Fleet Street was accused yesterday by Mr Price, Parliamentary Secretary, Privy Council Office, of carrying out one of the most vicious and determined attacks on a democratically-elected government in recent times. Certain editors and proprietors appeared to believe that they, and they alone, determined when general elections should take place, Mr Price told the Commons when he wound up a short debate on the pact with the Liberals. Those men, he said, were unelected, undemocratic and largely unloved, but they had taken on themselves the right to criticize, advise and instruct governments when to do, when to do it, and on what terms.

Conservation insufficient to keep villages alive Roses at the door are not enough

By Michael Horsnell
Keeping the English village alive as a community is more important than seeing that the thatch is maintained and roses are blooming around the door, Mr Christopher Hall, director of the Council for the Protection of Rural England, said last night. Speaking to the Avon Community Council, Mr Hall said a radical reappraisal of the settlement policies pursued in the countryside is essential if village life is to survive. He said: "Protecting the villages of our countryside cannot be simply a matter of seeing that the right conservation areas are designated, that the thatch is maintained and roses are blooming around the door."

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see that there is public transport, a village school and shops and some jobs close at hand for the indigenous village community", Mr Hall said. Council houses should not be concentrated in a few selected villages to the detriment of the rest. Present attitudes to the village had meant that many people left, child populations dwindled, and primary schools were closed. "There is evidence that village children bussed miles to school begin to show signs of disturbance which are in direct proportion to the length of the bus journey."

Rising tide of tourists fills hotels in London

By Patricia Tisdall
Hotel occupancy levels have greatly improved in the London area during the past 12 months, mainly because of the growing number of overseas tourists arriving. But hotels in other parts of the country have seen little improvement. Official figures for hotel occupancy issued by the English Tourist Board yesterday showed that throughout England foreign visitors accounted for 19 per cent of hotel guests, up from 17 per cent in the previous two years. But in London the proportion of overseas arrivals jumped to 64 per cent, from 57 per cent in 1975. There are indications of further increases during 1977. In the average London hotel 57 per cent of beds were filled in 1976, compared with 51 per cent in the previous year. Outside London, however, there were only slight changes in occupancy. Exceptions were hotels in the Thames and Chilterns area and in the West Midlands, which did better than average. More people, it seems, have been choosing country holidays. Compared with seaside hotels, countryside hotel occupancies have improved slowly during the past four years. The record continued last year, when, for the first time since the survey began, average annual occupancy of country hotels was slightly higher, at 45 per cent, than that of seaside hotels. Hotel Occupancy in England (Department of the Environment, English Tourist Board, 4 Grosvenor Gardens, London, SW1W 0DU; £6).

Call for more access to countryside

By a Staff Reporter
A call for legislation to improve public access to the countryside and guarantee the right of people to recreation has been made by the Central Council of Physical Recreation. In a report on outdoor recreation, published yesterday, the council's outdoor pursuits division says local planning authorities have made little use of machinery for securing access to open country. It says that a national recreational policy should be incorporated in legislation, and a national leisure commission set up to coordinate the work of all official agencies concerned with leisure so that everyone can have a better chance to enjoy the countryside. The report is the result of a year's work by a study group chaired by Mr George Cubitt, secretary of the Camping Club of Great Britain.

boards and amending their composition to include more nationally appointed members. National needs for recreation, as well as local and regional, should be examined by local authorities. "Official spending on recreation is often one of the first items to be cut back in times of financial stringency; this is a short-sighted policy. The need for a balanced life in order to secure good health both physically and mentally (not least in times of national adversity) is sometimes overlooked when ways of saving money are considered. "Large-scale spending is not usually required for outdoor pursuit facilities but where it is necessary for public enjoyment the cost should be met from public funds."

Outdoor recreation is inadequately represented on the government and quasi-government agencies which are charged with some responsibility for it. The report adds that the national interest in national park management is some; measures influenced by local considerations and recommends that that could be corrected by placing national parks under the control of independent

Right of families to join husbands 'being denied'

By Ian M. Gilson, Chief Editor
The right of families to join husbands 'being denied'. The House of Commons yesterday passed a bill to give the right of entry to the United Kingdom to the families of British citizens who are being detained in the United Kingdom. The bill is part of the Immigration Act 1977. The bill is part of the Immigration Act 1977. The bill is part of the Immigration Act 1977.

year ago in an earlier report, *Firm but Unfair*. Mr Akram and Mrs Elliot say documentary evidence should not be required for areas where it does not exist. Nor should children under the age of 12 be interviewed. They recommend that interviews carried out by entry clearance officers should be tape recorded and the transcripts made available at the appeal hearing. The adjudicators before whom appeals are heard in the United Kingdom should take into account the documentary evidence, transcripts of interviews and any new evidence put before them in reaching a decision whether an appellant has the right of entry.

George Davis is remanded on £15,000 bail. George Davis and two Essex men were remanded on bail totalling £45,000 at Southend Magistrates' Court yesterday. They were ordered to surrender their passports and to report daily to the police until August 4, when they will appear again. Mr Davis, aged 36, unemployed of Belton Way, Bow, east London, was charged with stealing 261 cartons of coats valued at £15,353 from the Port of London Authority at West India Docks between February and March 1973.

James Gleeson, aged 47, a general dealer of Arvey Lane, Waltham Abbey, Essex, was accused of handling stolen cigarettes, cigars and tobacco valued at £280,000, alleged to have been stolen at Barking. Patrick Clark, aged 38, a salvage contractor, of The Green Walk, Chingford, was charged with the robbery of 1,163 cases of whisky at Stratford on January 30, 1973. The three men were released on their own recognisances of £5,000 each, with two sureties of £5,000 each.

Two imprisoned for fraud released

By Ian M. Gilson, Chief Editor
Two men given prison sentences for fraud last week were freed at the Central Criminal Court yesterday. The men, Mickin, QC, the judge said, had reviewed the case and was altering the original decision to "give them a chance". But James Johnson, aged 37, an ex-convict, and Alfred Findlay, aged 43, caretaker, both of whom were given prison sentences for fraud last week, were freed at the Central Criminal Court yesterday. The men, Mickin, QC, the judge said, had reviewed the case and was altering the original decision to "give them a chance".

George Davis is remanded on £15,000 bail

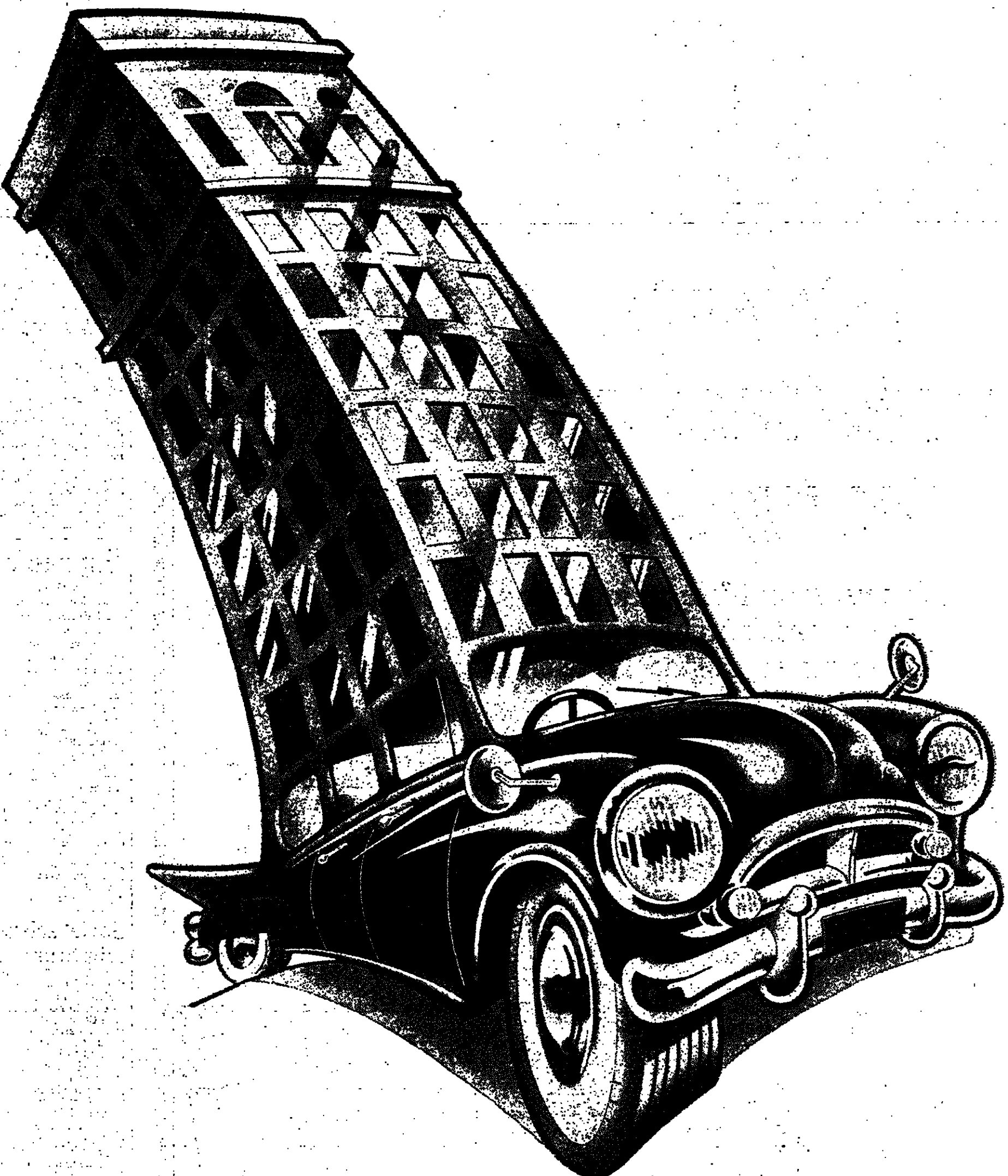
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Doctor who was suspended restored to register

By Ian M. Gilson, Chief Editor
A doctor who was suspended from the register for indecent conduct has been restored to the register. The General Medical Council found that a conviction for indecent conduct had been found proved. A committee also found him guilty of serious professional misconduct in that he abused his professional position in order to behave indecently towards two other patients. Dr Jinkumar Shah, aged 32, who was given a suspended sentence by Sheffield Crown Court last November for drug offences, and suspended by the General Medical Council, the same month, was suspended for a further eight months by the disciplinary committee. The committee will decide early next year whether his suspension should be further extended or his name erased from the register.

College residential centre appeals for £150,000

By a Staff Reporter
Lumberland Lodge, in Windsor, Great Park, which was donated to the St Catherine's Foundation by King George VI and Queen Elizabeth II to provide residential accommodation for students and teachers from universities and colleges, is 30 years old this year and is peeling for £150,000 to enable it to function at least until the end of the 1980s. St Catherine's is administered a charity for educational purposes and is entirely independent. It is charged with encouraging the study of man and society and ensuring that Christian interpretations are brought to bear.



Before you invest in a building, you like to know what it costs to run.

When you plan a new building, you plan an economic proposition. To be sold, rented, or run by you. That's why you must plan your energy use first. It's called Energy Management. Crucial, given energy costs today. Because every building designed to its principles is built to last-planned as it is from the viewpoint of working efficiency, comfort for the people in it, and long-term economical energy usage. One of the pioneers of Energy Management is the Electricity Supply Industry. Any of their Boards can help your planners with those specialist details, which, if neglected, will only land on your desk later. What the best balance should be between day-light and electric lighting. Modern heat recovery systems. All sorts of problems, essential to solve at sketch-plan stage. They can also offer, where appropriate, the service of a unique computer program called BEEP. This can provide your planners with a detailed analysis of a building's energy requirements, consumption, and running costs. All relevant tariffs for electricity, gas, oil, coal and water are included in the program. It's very simple. Before you can save energy, you must plan it properly. This is what Energy Management is all about. For full details, contact your Electricity Board.

PLANELECTRIC
The Electricity Council, England and Wales

HOME NEWS

EEC membership to advantage of the United Kingdom, Dr Owen and Mr Tugendhat say

By David Wood
Political Editor

Dr Owen, the Foreign Secretary, and Mr Christopher Tugendhat, EEC Commissioner for the Budget, spoke yesterday in London on the theme of the balance sheet of United Kingdom membership of the European Community. From different political sides in British politics, both argued that the United Kingdom had gained more by entry than she had lost.

Dr Owen told the Labour Committee for Europe at the Commons last night: "If it was possible to draw up a formal balance sheet on the economic aspects of our membership I think it would be found that on balance we have gained, not at the expense of our partners, but in comparison with what would have happened had we stayed outside."

"Political factors of great importance are involved as well. If we ask ourselves whether, on balance, our influence in the world is greater or smaller than it would have been had we stayed outside the Community have no hesitation in concluding that membership has been of advantage to us."

"An we grow more used to working with the Community, these advantages will become more obvious. Our task now is to accept the will of the people [in the United Kingdom referendum], to argue within the Community for improvement, to reform where necessary, to criticize constructively, but above all to play our full part in an evolving Community of nine member states committed to achieve a greater European unity."

Dr Owen said that only a fool would suggest that everything had gone smoothly since the United Kingdom entered the EEC. But the disadvantages had to be balanced against the advantages. For example, food prices might have been higher outside the EEC, because the common agricultural policy protected the Nine from rocketing prices.

	1971 forecast	1974 forecast	Actual
1973	100	—	102.4
1974	115	30	30.6
1975	140	100	—56
1976	170	165	170

Similarly, entry into EEC had exposed United Kingdom industries to greater competition, although by the same token United Kingdom manufacturers, particularly the more efficient, had been given an opportunity to capture markets on a scale they could not otherwise have enjoyed.

On her own, the United Kingdom would not have been able to exert much influence. Working within the Nine, she had been able to play a more effective role. "The fact that we are on the inside means we are enabled to shape its policies at the formative stage."

So far, Dr Owen said, the United Kingdom had contributed to the EEC less than originally expected. He gave the figures shown in the accompanying table.

"The reason we have been let off comparatively lightly," he explained, "is that we pay our share of the Budget in devalued pounds, which are still accepted at the rate of 2.40 units of account to the pound. This means that in real terms we are paying about 12 per cent rather than the notional 19.24 per cent of this year's Community Budget. Moreover, although no longer reflected as a United Kingdom receipt in budgetary terms, we continued to receive food subsidies from the EEC."

Mr Tugendhat told the Conservative Group for Europe in London yesterday that, whatever his motives, there could be no objection in principle to the public discussion and evaluation of benefits and losses arising out of our membership of the EEC. Continuous public assessment of practical implications of membership "can help to forge that greater degree of European consciousness among our citizens upon which the long-term success of our

participation in the European adventure must depend."

Yet so far the most notable characteristic of the approach of those attempting to discredit the Community had been their persistent refusal to measure Britain's gains and losses fairly and honestly against realistic yardsticks.

He said that in 1976 the visible trade deficit was more than £2,000m, a startling and sorry contrast to the high hopes entertained. But to suggest, as anti-marketiers did, that the size of the deficit was a direct index of the harm membership was alleged to have inflicted was misleading.

On a true test, he said, "there can be no doubt that membership has been to Britain's advantage", although British exporters had been slow to respond to unprecedented incentives and opportunities. Nevertheless, in the first quarter of 1977 British exports to EEC rose by 28.2 per cent in value, or 87 per cent in real terms, and rose in the rest of the world by only 49 per cent in real terms. About 450,000 jobs might have been saved by membership, he said.

If for Britain that meant there was no alternative to the EEC, it did not mean there was no alternative to the Community in its present form. The EEC was not immutable. It was a political system that Britain could and should use to achieve reforms.

PC fined £100 on indecency charge

A police constable aged 37 was found guilty yesterday of attempting to procure an act of gross indecency with a plain-clothes policeman.

Anthony Lemaire, of Embury Road, Langley, Berkshire, was fined £100 at the end of his trial at Reading Crown Court and ordered to pay £300 towards the prosecution costs and all his own defence costs.

School milk subsidy is backed by Mr Steel

By Hugh Clayton

Mr Steel, the Liberal leader, yesterday became the latest recruit to the dairy industry's campaign to raise milk consumption. He urged ministers to apply to the EEC for £5m to subsidize school milk.

Before opening the Dairy Foods Festival in the City of London he told industry leaders: "An increased programme of investment in consumption of milk in schools would help the industry to cope with the decline in overall consumption."

If the Government claimed the full amount authorized at the EEC farm price review, children between eight and 11 could receive a subsidized pint of a pint of milk every school day. "I believe that the Government could, and should, invest in this subsidy," he said. At the present children of those ages receive free milk on medical grounds only.

The annual cost of giving 16 million gallons of milk to two million younger schoolchildren is £12m. That is less than the cost of the pig subsidy ended by the Government last month. Ministers are examining ways of claiming the EEC milk money to provide older children with free milk. The money was offered as part of a programme to reduce the Community's intractable surplus of dairy products. The Department of Education and Science, the Ministry of Agriculture, Fisheries and Food and the European Commission are holding talks to reduce the surplus.

They would receive it from yet another administrative body, the Intervention Board for Agricultural Produce. Industrial leaders are worried about the drop in consumption of milk caused by frequent price rises in the past two years.

Explaining their fears, Mr John Travers Clarke, chairman of Express Dairy Company, said: "We do not want the autumn price to rise to 12½p a pint. We want the price to remain at 11½p in 1977."



Princess Grace of Monaco, arriving to open the Princess Grace Hospital, Nottingham Place, London, yesterday.

Two-tier plan for law aid to needy

By Our Legal Correspondent

The Bar has proposed a two-tier system for legal services to deprived sections of the community.

In the latest instalment of its evidence to the Royal Commission on Legal Services, the Senate of the Inns of Court and the Bar suggest that clients needing legal advice or assistance should initially go to a citizens' advice bureau, housing centre or consumer aid centre.

Those first-tier agencies would refer the client to a solicitor in private practice if the problem was a legal one for which legal

aid was available. If legal aid was not available, the staff of the first-tier agency, who would have some paralegal training, would try to help as far as possible.

If the client required assistance beyond the capacities of the paralegal staff of those agencies, and legal aid could not be obtained, the second tier would come into operation. It would consist of existing neighborhood law centres and of newly proposed legal resource centres.

The Bar's memorandum suggests that such resource centres

should be set up on a regional basis, employing at least one qualified lawyer, and with links with local lawyers, who would either provide free representation or act under retainer.

The resource centres would be independent of both central and local government, although their funds might have to come from those sources. The Bar envisages an independent local management committee administering the funds, under the general supervision of a Lord Chancellor's Advisory Committee, with greater powers than it has at present.

Mr Mulley threatens to resign over cuts

By Henry Stanhope

Mr Mulley, Secretary of State for Defence, has threatened to resign if a plan drawn up by Labour Party committee to defence spending by a further 28 per cent is adopted, official party policy. But Prime Minister is said to have talked him out of issuing a statement to that effect.

The plan worked out by committee chaired by Mr Mikardo, the following MP, Tower Hamlets, Bethnal Green and Bow, is in the form of a draft report, which has to be approved by Labour's national executive.

But its main proposals are uncompromising. They include a 28 per cent cut in the Royal Navy's fleet, the RAF's new Tornado multi-role combat aircraft, next two anti-submarine cruisers in the Invincible class, and 5 of the Royal Navy's big ships.

The British Army of Rhine would be reduced to its present 55,000 to 30,000 the end of the decade. T alone, according to comm calculations, would save £275m.

The report is seen by Labour moderates and by other Ministers of Defence as a challenge to the party's defence policy.

The proposals run counter to the present expansionist policy to raise defence spending by an average of 3 per cent among member countries. Mr Mulley is particularly cross because the committee includes not only two senior ministers, Mr Booth, Secretary of State for Employment, and Mr. Secretary of State for Trade, but also the Minister of Defence, Mr Gilbert, Minister of State and Mr. Wellbeloved, Under-Secretary of State for Defence.

Last night Mr Gilbert and Mr. Wellbeloved and the two junior defence ministers said to be furious over proposals.

The proposals represent something of a defeat for Mr Mulley's approach to his left-wing. Mr Roy Mason, a predecessor faced his criticism and refused to have anything to do with the committee. That accounts for an aggressive comment in the report, to the effect that the ministry at first declined to participate.

Mr Mulley, however, on succeeding Mr Mason last year decided to play along with it in the hope of winning sympathy if not support, in pursuing a policy of confrontation. So Mr Gilbert and Mr. Wellbeloved were allowed to be co-opted as members.

The conclusions the committee seems to have reached, however, are being taken as indication that his new policy of co-opting with the defence lobby has failed.

Train driver came to rest on an embankment

The guard of a London to Glasgow express train said at Dumfries Sheriff Court yesterday that he stopped his train with an emergency brake and found the engine driver's cab empty.

The driver, Mr Hugh Harvey, aged 42, of Glasgow, was later found lying on an embankment.

The court was told that the guard, Mr Thomas McDonochie, and Mr Harvey had each drunk two pints of beer in a Carlisle public house before taking over the train.

Mr Harvey had denied that he was drunk and that he wilfully and negligently set the controls of the express, which was drawing nine coaches, in such a way as to "permit it to remain in motion" and that he then abandoned his train to the danger of life.

Mr McDonochie, aged 34, said the enormous average speed for a train between Carlisle and Lockerbie was 90 mph, but eight miles south of Lockerbie it had slowed to 30 mph. Later it slowed to 10 mph.

Mr McDonochie said he applied the emergency brake, and the train stopped.

Dr Kenneth McQueen, of Lockerbie, said that when he examined Mr Harvey there was no evidence of any injury. He added that Mr Harvey's gait was a little unsteady. He repeated himself when speaking, and his breath reeked of alcohol.

The case continues today.

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Psychologists help with gifted pupils

By Diana Geddes

Education Correspondent

Educational psychologists are playing a key role in identifying the exceptionally bright child in Essex schools. The so-called gifted children were among five thousand schoolchildren with special emotional, behavioural or educational difficulties who received help from the county's psychological service during 1976.

Writing in the latest issue of the magazine *Essex Education*, Mrs Susan Roberts, an educational psychologist, says she and her colleagues help to devise check-lists of techniques to assist teachers in identifying pupils so gifted that they require special attention.

Having established that a particular child is gifted, the school and parents can both be advised by the educational psychologist how possible

complications can be handled, she says.

The county has established a permanent working party which studies the educational needs of children designated as gifted and tries to determine ways in which schools can be helped to ensure that such children are enabled to fulfil their potential.

A crucial part of the working party's work, Mrs Roberts says, is the five-day residential course it runs each year for gifted primary school children in Essex. The course gives the children an opportunity to meet others like themselves and helps in developing suitable curricular material.

Essex has one full-time educational psychologist to every 10,000 schoolchildren. Two thirds of the five thousand gifted children during the 1975-76 school year are released direct from the schools, the remaining third by parents, family doctors and the like.

Most pupils from secondary schools are referred because of behavioural and emotional troubles, Mr John Acklay, county educational psychologist, says in another article in the magazine. But by no means those are the over-publicized and aggressive types, he says.

Most were suffering genuine emotional upset or anxiety, most appeared to benefit from guidance and support.

Pupils in infant and junior schools, who account for two thirds of those referred, are referred from schools where frequent suffering from failure to make progress in the attainment of basic skills of reading, writing or numbers.

The educational psychologist could help the teacher to decide whether the child needs remedial treatment, or school, or whether he should be sent to full-time special school, Mr Acklay says.

Soviet scientist fails to arrive

Professor Benjamin Levich, the Soviet scientist, failed to arrive for the opening of a conference in his honour at Somerville College, Oxford, yesterday. His absence has confirmed fears that he is not being allowed to leave his country by the Soviet authorities. But Sir Derek Barton, the conference chairman, did not rule out the possibility that Professor Levich might still attend.

Professor Levich carried out nuclear research in Russia during the late 1940s and has been applying to emigrate for five years. His two sons were allowed to leave two years ago and are attending the conference. The professor and his wife are still in the Soviet Union.

Man cleared of 1971 charge

John Regan, aged 46, of Fox Lane, Palmers Green, London, who was jailed for 15 years after being convicted of taking part in an £82,000 armed robbery at Portsmouth six years ago, was cleared by the Court of Appeals in London yesterday. The judge quashed the conviction against Mr Regan, a company director, as "unsafe and unsatisfactory" and set aside his sentence.

Mr Regan did not challenge his further robbery conviction at Winchester Crown Court on April 13 last year, arising out of a £30,000 armed raid at King's Cross in 1971. The judge rejected his appeal against his 15-year sentence for that robbery.

Dispute over the servicing of jumbo jets ends

Two new British Airways Boeing 747 jumbo jets have stood idle at Heathrow airport London, since the middle of the month because of a dispute over who should service them. As a result some services have been delayed or cancelled, and passengers transferred to other airlines.

British Airways said the dispute had been settled. The airlines were being checked before going into service by the end of the month. They are the first jumbo jets to be fitted with Rolls Royce 213-D4 engines, instead of American Pratt and Whitney JT9s.

British Airways chose the Rolls engine because they consider that it will enable it to fly the jumbos more cheaply. The airline already operates a fleet of Lockheed TriStar turboprop aircraft with another version of the RB211. The dispute was over whether the new jumbos should be serviced by engineers from the European division, who service the TriStar, or those from the overseas division, who service 747s.

Elderly 'more adaptable'

By Our Health Services Correspondent

Older people can adapt and be successful in new jobs. People in their forties, fifties and sixties are better than younger ones in altering their occupations, completely, the Over Fifty Club said yesterday.

In a booklet on second careers and part-time jobs, the club cites the deputy underwriter for 26 years who became, without regret, a millman and won a Millionaire of the Year award. A businessman turned woodcarver in his late fifties, was now in commercial demand

for his ships' figureheads and publichouse signs.

Mr Francis Elmsford, who wrote the booklet, said a recent survey of men who left the engineering industry seeking among other things, more job satisfaction, found that the largest number had undertaken training for office work. Others had become teachers, drivers, butchers, publicans and security guards.

The booklet gives advice on new careers, correspondence courses and further education. *Second Careers and Part-time Jobs* (Over Fifty Club, The Elm, 26 Broad Street, Wokingham, Berkshire, RG11 1QS, 50p).

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RSEAS Rhodesia settlement defies stages on plans ultimatum transition period

By Kenneth Maclean, *Special Correspondent*

Chenese Rhodesia settlement defies stages on plans ultimatum transition period

Mr. Smith, the Foreign Secretary, has been told that the Rhodesian Prime Minister, Ian Smith, has decided to accept the terms of the settlement. This is a significant development, as it marks the end of a long and difficult negotiation process. The settlement, which was announced last week, provides for a transition period of 10 years, during which the Rhodesians will gradually transfer power to the majority black population. The settlement also provides for a referendum to be held at the end of the transition period, at which time the Rhodesians will decide whether to remain a part of the Commonwealth or to become an independent state.

Mr. Smith's decision to accept the terms of the settlement is a significant step towards the end of the Rhodesian crisis. It is a decision that has been long overdue, and it is one that will bring a sense of relief to many people in Rhodesia and in the rest of the world. The settlement is a landmark achievement, and it is a testament to the skill and determination of the negotiators on both sides.

The settlement is a complex one, and it will take time to implement. However, it is a step in the right direction, and it is one that will bring a sense of peace and stability to Rhodesia. It is a step that will allow the Rhodesians to move forward, and it is a step that will bring a sense of hope to the people of Rhodesia.

Pakistan military set up election law group

From Our Correspondent

Islamabad, July 11—General Zia-ul-Haq, leader of the military council which seized power in Pakistan last week, said today that a committee was being set up to draft the legal framework for general elections in October.

The committee is to be headed by Justice Maqari Musharraf, a former member of the Supreme Court.

General Zia, speaking at his first meeting with Pakistani newspaper editors, said the committee's recommendations would be considered by a "seminar of experts" before it was finally approved by the military council.

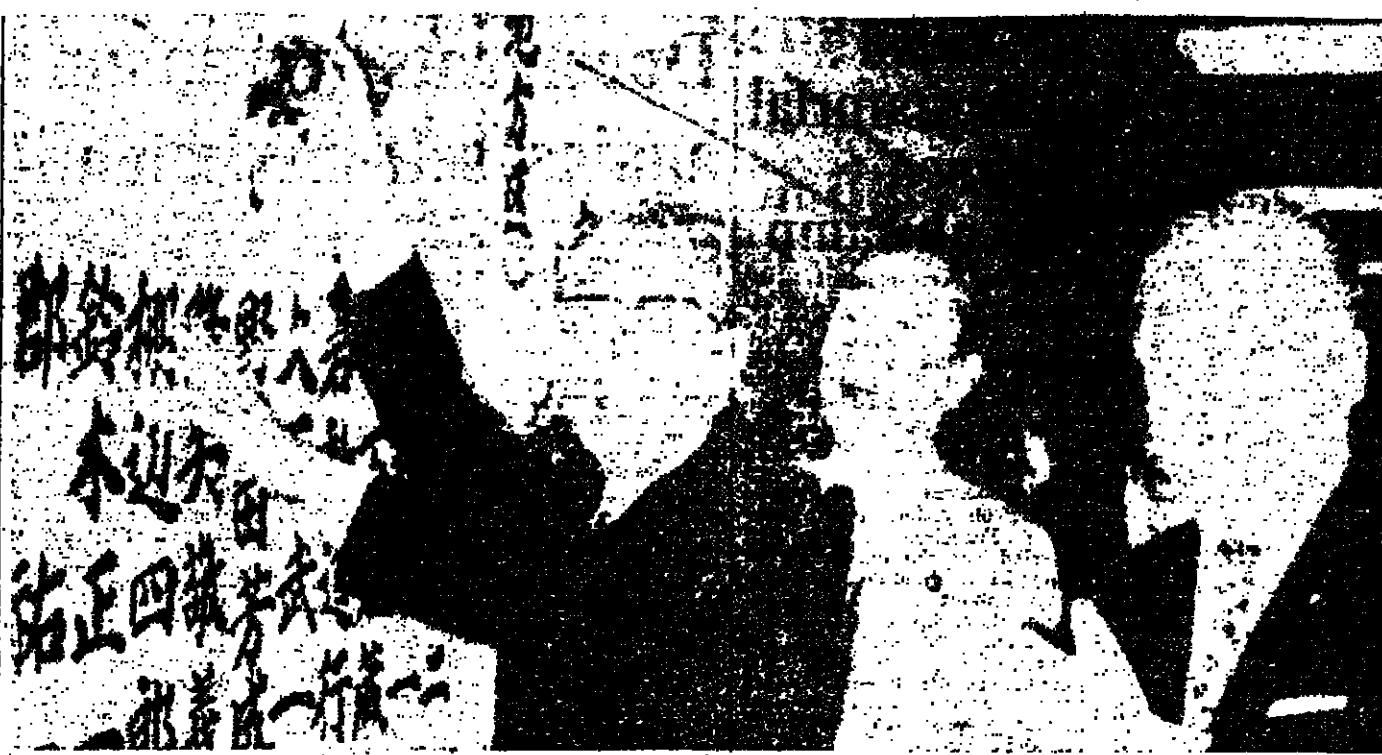
The general asked the editors not to carry political controversial material, as the nation needed a cooling off period. He asked for cooperation in creating a peaceful and tranquil atmosphere for free and fair polls.

The primary aim of his interim regime continued to be to restore democracy. The military administration had not imposed censorship on the national press because he hoped it would encourage the press to support the government.

General Zia also appealed to the press not to build up his personal image, but to project the non-partisan and impartial role of the military council and its non-alignment with any camp or block, national or international.

Martial law promulgations last night introducing Islamic law penalties such as amputation of the hand for theft and banding of the neck for adultery, and the offence of "insulting the modesty of women", it was learnt today.

Anyone guilty of the offence, by word, sound, gesture or invasion, would be liable to a fine of 100,000 rupees, or 10 years' hard labour and 30 lashes.



Saying it with flowers: Mr Fukuda, the Japanese Prime Minister, placing an artificial rose on the name of a successful candidate of his Liberal Democratic Party elected to the Upper House in Sunday's election.

Japan's ruling party retains slender majority

From Peter Hazelbriar

Tokyo, Tuesday morning

Ushering in an era of political change, Japan's ruling Liberal Democratic Party lost its narrow majority in the Upper House by a clear margin of two seats this morning in the final stage of a triennial election to Parliament.

But in spite of the setback, the Liberal Democratic Party, which provided Japan with firm rule and stability during two decades of miraculous economic growth, has emerged as the dominant political force in the Upper House once again. It is expected to retain a tenuous majority with the support of three conservative independent and the New Liberal Club, a small right-wing splinter group.

The final results have also dismayed the leaders of the Socialist and Communist parties who acknowledge a severe defeat for the left this morning.

Providing Mr Fukuda, the Prime Minister, and his Cabinet with a new lease of life, the party staged off a more serious defeat and will emerge with 124 of the 252 seats in the Upper House of the Diet when the official results are announced later today.

Three conservative independent members have already indicated they will join the Liberal Democrats' ranks. This would leave the Liberal Democrats with a majority of one seat after a by-election for one vacancy is called later this year.

As predicted, the left-wing opposition forces also suffered a setback. An estimated 54 million Japanese voters turned out on Sunday to elect half of the 252 members of the Upper House of the Diet. Reflecting the desire for moderate change, both the right-wing ruling party and the main left-wing opposition groups, the Japan Socialist Party and the Communist Party, lost ground to the Government's conservative adversaries, the Komeito (Clean Government Party) and the Democratic Socialist Party.

In a dramatic reversal of trends which favoured the left-wing during the previous elections to the Upper House three years ago, the Japan Socialist Party, the country's largest opposition force, lost five of its 61 seats, while the Communists lost four of their 20 seats.

Supported by 10 million religious followers, the Komeito—the political wing of the neo-Buddhist sect, the Soka Gakkai—swept towards a dramatic victory when all but one of its candidates captured seats in the House. This leaves the Komeito with a total strength of 28 seats in the Upper House.

The Democratic Socialists, conservative force in the Opposition, also captured six seats, raising the party's total strength to 11 in the Upper House.

FBI seizes papers in Scientology raid

From David Cross

Washington, July 11

The Church of Scientology claimed today that hundreds of documents seized by agents of the Federal Bureau of Investigation last week contained proof of government infiltration of their organization over nearly 20 years.

FBI agents raided the offices of the church in Washington and in Los Angeles on Friday to recover papers, which they maintain, had been stolen by undercover church workers from government agents. They broke into the offices with crowbars, sledge hammers and power saws, tearing doors from their hinges and breaking files open.

Mr Jogh Wilhere, a spokesman for the church, told press conference here today that the documents had all been obtained legally under the Freedom of Information Act. They were to be used as evidence in a \$750m (\$441m) damages suit being brought against the FBI, the Central Intelligence Agency, and the Justice Department.

Six of the documents, he alleged, were "debriefings" carried out by an undercover agent from the Food and Drug Administration who had joined the church in Washington and pretended to be a parishioner.

"The documents clearly indicate the Government's 'irresponsibility' with regard to the Church of Scientology and are clearly both an embarrassment and a disgrace," he said. "The Government would prefer us not to have."

Mr Wilhere also accused the FBI of organizing the raids as a publicity stunt to blacken the reputation of the church.

The FBI, however, continues to insist that the papers contain information about Scientology members and their activities. A spokesman said that official documents had been taken from the Internal Revenue, Service and Justice Department in 1975 and 1976, photocopied and the originals then returned to the files.

According to the FBI, the raids came after the arrest of a former Scientologist who left the church after he and an associate had been charged with breaking into an attorney's office here. Since his capture last year, the arrested man has been cooperating with the authorities in their continuing investigations, the FBI says.

The organization has been under scrutiny for several years. Among other things the federal authorities have been investigating allegations that the church practices mind control. The authorities have also been trying to determine whether the organization is a bona fide religion which qualifies for tax exemption.

Founded by Mr Ronald Hubbard, a science fiction writer, in 1950, the church claims some four million members throughout the world, including three million in the United States.

ter support revision labour laws

By Kenneth Maclean, *Special Correspondent*

London, July 11

House officials today said that President Carter's substantial revision of federal labour laws, New Deal legislation, would be introduced in the House this week. The revision, which will strengthen the powers of the National Labor Relations Board, is expected to be a landmark piece of legislation. It will give the board the power to order the reinstatement of workers who have been fired for union activities. It will also give the board the power to order the payment of back wages to workers who have been fired for union activities.

The revision is a significant step towards the end of the labour crisis. It is a step that will bring a sense of relief to many people in the United States. The revision is a landmark achievement, and it is a testament to the skill and determination of the negotiators on both sides.

The revision is a complex one, and it will take time to implement. However, it is a step in the right direction, and it is one that will bring a sense of peace and stability to the United States. It is a step that will allow the workers to move forward, and it is a step that will bring a sense of hope to the people of the United States.

Sadat-Husain discord over future Palestinian state

By Kenneth Maclean, *Special Correspondent*

Cairo, July 11—President Sadat of Egypt and King Hussein of Jordan today appeared to have disagreed on the timing of a proposed link between Jordan and a projected Palestinian state on the West Bank of Jordan and in the Gaza Strip.

The King apparently has given in to Palestinian Liberation Organization (PLO) demands that the future of their relationship should be determined only after the liberation of Israeli-occupied Arab lands.

Despite official Egyptian assertions that full agreement was reached between the two leaders, King Hussein said in a television interview, screened after his departure from here yesterday, that the Jordanian-Palestinian link should be established after the liberation of the West Bank and Gaza.

President Sadat, on the other hand, called for an "explicit" link before the Middle East peace conference is convened in Geneva, probably in the autumn.

Two leaders held talks in Alexandria over the weekend, discussing the Palestinian role in a Middle East settlement.

Mr Fahmy, the Egyptian Foreign Minister, later reported "full agreement" between the two leaders.

But in the television interview, the King said: "There must be strong and firm ties in the future (with the Palestinians). In my opinion, this must come after liberating the occupied land and after the Palestinians have the right to decide their destiny."

Mr Sadat's call for establishing the "link" now would circumvent Israeli opposition to Palestinian participation at the Geneva conference, for the Jordanians and Palestinians could be represented there by a unified delegation.—UPI

Soviet hijackers refuse light aircraft offer

By Kenneth Maclean, *Special Correspondent*

Helsinki, July 11—Two armed young Russians who hijacked a Soviet airliner to Finland today refused an offer by the Finnish Government of a light aircraft to fly them to a Western country, the Finnish police reported.

The two men, armed with a sub-machine gun and grenades, were still on board the hijacked TU154 airliner, which was held as hostages. The light aircraft was standing by on a runway near by.

The hijacking took place last night as the Tupolev airliner was on a domestic flight from Petrozavodsk to Leningrad. It originally carried 72 passengers, including eight children. In Helsinki today, the hijackers released all the women and children in batches, leaving 23 Russian male passengers on board.

Then five of the male hostages escaped in the afternoon through a rear exit, leaving 24 on board.—Reuters

60,000 Vietnamese troops said to be in Laos

By Kenneth Maclean, *Special Correspondent*

Bangkok, July 11—Vietnam now has 60,000 troops in Laos, according to Laotian refugees who arrived in Thailand last weekend. The force includes five combined infantry divisions, tanks, artillery and anti-aircraft guns, they said.

The information was confirmed by intelligence and domestic reports drawn up last night after the arrival of 50 Laotian refugees in Thailand. The refugees said the Vietnamese had more than 100 Soviet-made P76 amphibious tanks stationed along the Thai border.

According to the refugees, who crossed the border into Thailand at the rate of 50 to 100 a week, the presence of Vietnamese troops has helped reduce already meagre food rations.

Laotian families have been instructed to cross into Thailand at the rate of 50 to 100 a week, the presence of Vietnamese troops has helped reduce already meagre food rations.

The refugees said all forms of freedom had been suppressed, and nothing had been heard of 40,000 people sent to a re-education camp in 1975 apart from three official notifications of death sent to some relatives.—Agence France Presse

do-Argentine islands to resume

By Kenneth Maclean, *Special Correspondent*

London, July 11

are to be held between Argentine officials and this week.

meeting is intended to forward the discussions of Mr Edward Rowe, Minister of State at the Foreign Office, earlier this week when Britain and Argentina discussed their respective views of economic cooperation and sovereignty to see if understanding was possible.

this week Mr Hugh, a Foreign Office official, expected to leave London for Buenos Aires as a chargé d'affaires. The of ambassador has not filed since the dispute over the Falkland Islands led to the withdrawal of the British envoy.

arnard to retire

on, July 11—Dr Christian, the South African transplant surgeon, has been interviewed by the press where he plans to in the next year or two of arthritis in his hands.

Third World report

A five-point 'vision' to inspire the Muslim nations

By Edward Mortimer

A five-point "vision" to inspire the collective efforts of the Muslim world was put forward in London last week by Dr Mahbub ul Haq, Director of the Policy Planning and Economic Review Department of the World Bank.

Dr ul Haq, a Pakistani, was speaking at an international economic conference on "The Muslim World in the Future: Economic Order" organized by the Islamic Council of Europe. He gave five examples of things which he believed were technically possible in the next 10 years.

1. Industrial transformation. The means are there, especially in Egypt, Indonesia, Pakistan to produce most of the consumer goods that the Muslim countries need. Production is geared to basic human needs.

2. Self-sufficiency in food. Sudan, Pakistan and Bangladesh could become not only self-sufficient but also major exporters of food to the rest of the world.

3. The Muslim world could have its own currency area. The "dinar zone" was necessary because at present, even the oil-exporting Muslim countries have to use the dollar to buy goods and services from the rest of the world.

4. Attainment of "basic human needs" such as provision of minimum standards of nutrition, medical care, housing, literacy, etc. could be achieved by an expenditure of \$5,000m a year.

Dr ul Haq, a Pakistani, also stressed the need for a "vision" to inspire the Muslim nations. He pointed out that, according to figures given by the Development and Aid Committee of the Organization for Economic Cooperation and Development (OECD), Kuwait was already giving 10 per cent of its gross national product to aid, and Saudi Arabia 7 per cent, which was 20 times the average figure for OECD countries and 40 times that for the United States. Yet Saudi Arabia's per capita income was not as high as that of the United States.

The problem, Dr ul Haq said, was not to get the oil exporting countries to accept the principle of sharing their wealth, but to get them to consider the most effective ways of setting about it. He admitted that each of the projects he had suggested would require two or three years' study before one could start putting them into action and that not all of them were possible.

"My real frustration is that the Muslim countries need their own OECD, their own development centres. At the moment these things are only studied in Western institutions," he said.

For instance, Professor Robert Triffin of Yale University was working on the idea of a "dinar zone," but no Muslim Government had yet shown any interest in it.

"Often, the basic information is not available," he went on. "We need to start with information gathering, then move on to analysis of policy options. At the moment they are giving away \$5,000m to \$10,000m a year, but not investing even \$5m to \$10m in research and analysis."

Leading article, page 15

You don't have to be an elephant to remember the times of our Jumbos to New York.

LONDON		NEW YORK	
DEPART		ARRIVE	
MON.	14:15	16:45	
TUES.	14:15	16:45	
WED.	14:15	16:45	
THURS.	14:15	16:45	
FRI.	14:15	16:45	
SAT.	14:15	16:45	
SUN.	14:15	16:45	

As you can see, there's no complicated timetable to decipher when you fly to New York with Iran Air. We take off at the same civilised hour every day.

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So next time you've got business in New York, remember Iran Air. And get a flight you'll remember.

IRAN AIR
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5 Congressmen accepted S Korean favours

By Kenneth Maclean, *Special Correspondent*

Washington, July 11

senators committee of the House of Representatives has accepted a large number of favours from the South Korean Government, which they had had in contact with Mr Tongsun Park or any other of five named alleged agents of the South Korean Government.

Mr Park is alleged to have been at the centre of the operation, paying out the largest bribes, throwing the largest parties and arranging the most lucrative deals. He is alleged to have been commissioned to do this by the Government, which made sole broker for South Korean purchases of American rice.

The scandal has been running on for months now, without receiving nearly as much publicity as recent scandals involving the executive branch of government, the CIA or the FBI. This is not necessarily a partisan matter: many prominent Republican Congressmen received favours, including the minority leader, Mr John Rhodes, and the minority Whip, Mr John Anderson.

Among the prominent Democrats who received favours are Mr Tip O'Neill, Speaker of the House, and his predecessor, Mr Carl Albert. Another is Mr Morris Udall, of Arizona, who ran against Mr Carter for the Democratic nomination for the presidency last year.

six Congressmen and former Congressmen, and then ethics committee expects that a large number will be found to have violated congressional standards of ethics.

The 115 are among those members of the House who replied to a short questionnaire sent out by the committee. About 15 of the 435 present and 165 former members of the House who received the questionnaire have not replied and some of them would probably be added to the list of those who had accepted favours if they did.

The questionnaire asked whether the Congressman or ex-Congressman had visited South Korea since 1970, when the campaign to gain influence began. Apparently, 115 were actually charged by what they called. The Justice Department is said to be preparing cases against three to

OVERSEAS

Brazil's relations with Argentina worsen in battle for influence

From Andrew Tarnowski
Buenos Aires, July 11

Relations between Argentina and Brazil, which have sharply deteriorated in recent months, appear to be taking a new turn for the worse with a report that Brazil is about to close its frontiers to 80 per cent of Argentina's commercial road traffic.

A report to this effect in the Brazilian newspaper *Folha de São Paulo* has been published prominently in the Argentine press and has drawn an immediate statement from the Argentine Foreign Ministry.

The newspaper cited Brazilian official Government sources and said that the measure would take effect on July 31, in reprisal for a Chilean Argentine decision to bar Brazilian lorries from the Las Cuevas-Caracoles tunnel through the Andes mountains. *Folha de São Paulo* said that this would force Brazilian road traffic to Chile to make a 1,250-mile detour.

The old Las Cuevas-Caracoles railway tunnel is being converted to road use by Argentine and Chile, but they decided to ban the generally heavier Brazilian lorries because of its makeshift nature. A new road tunnel will be available next year. There are at least eight available mountain passes.

The Argentine statement said that Brazil had refused to honour an international agreement on contributing to the upkeep of roads used by their lorries in third countries.

This is only the latest point on which Argentine and Brazil have clashed in recent months. Fundamentally, the clashes appear to arise from Argentina's former foreign policy positions taken since the military coup last year, which are beginning to hinder the expansion of Brazilian influence in neighbouring countries.

There is, indeed, a determined battle for influence in South America between the two countries. It is mainly apparent in the complex issue of exploiting the vast hydro-electric and irrigational resources of the River Paraná. Argentina and Brazil are both building dams about to build, and are on the river in collaboration with Paraguay.

28 killed in Equatorial Guinea prison camp

From Our Correspondent
Madrid, July 11

The former governor of the Central Bank of Equatorial Guinea and 27 other people have been shot dead at a concentration camp in that country, refugee sources said in Madrid today.

The sources said that troops acting on orders from President Francisco Macías Nguema had carried out the executions on May 21 at Bindung, a prison camp about 11 miles inland from Bata, the capital of the mainland province of Muni. They identified the banker as Mr. Bendi, adding that he had been arrested about a year ago and never brought to trial.

The news of the alleged killings was brought by refugees who fled across the border through the jungle to Gabon and then established contact with friends and relatives in Spain.

The names of the other alleged victims were not known immediately. Refugee sources believed that they could include others who had been sentenced to death by the President without trial such as Mr. Nkoo Iyasa, the former Minister of Finance, and Mr. Nnangue, former Chief of Affairs in Madrid.

President Macías accused Mr. Bendi of trying to flee the country with \$1m (£588,000). Refugees also alleged that Mr. Macías forced girls, aged between 14 and 20, to marry in the district of Mongomo, to work without pay on his private farm and coffee plantation.

Many of them were allegedly forced to submit to members of the presidential guard, the militia or youth movement. Whole families had been escaping across the frontier to Gabon in order to save their daughters, the sources went on. The number of refugees in Gabon had reached about 90,000, many of whom were said to suffer from hunger and to be in need of medical care.

The use of girls as forced labour under the rule of Mr. Macías is not new. In late 1975 he ordered his troops to round up able-bodied young women and take them to the island of Francisco Macías to harvest the cocoa crop.

Law Report July 11, 1977

Documents in uranium cartel case privileged against self-incrimination

In re Westinghouse Electric Corporation Uranium Contract Litigation MDL Docket 235

Before Lord Denning, Master of the Rolls, Lord Justice Roskill and Lord Justice Shaw

Where a witness who is not a party to an action is contesting an application for him to produce documents, the court will uphold his claim to privilege against self-incrimination if there is a real and genuine basis for his claim and there is a real and genuine basis for his claim.

The court in *Westinghouse Electric Corporation v. Uranium Contract Litigation* (MDL Docket 235) considered the application for an order compelling the production of documents by the Uranium Cartel.

The court found that the documents were not privileged against self-incrimination. The court held that the documents were not privileged against self-incrimination.

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Court of Appeal

Queen's Bench Division

Grunwick judgment to be given today

Grunwick Processing Laboratories Ltd and Others v. Advisory, Conciliation and Arbitration Service and Another

Before Lord Widgery, Lord Chief Justice

The court in *Grunwick Processing Laboratories Ltd and Others v. Advisory, Conciliation and Arbitration Service and Another* considered the application for an order compelling the production of documents by the Grunwick Processing Laboratories.

The court found that the documents were not privileged against self-incrimination. The court held that the documents were not privileged against self-incrimination.

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Queen's Bench Division

Obligation of sellers in chain sales

Tradex Export SA v. Andre & Cie SA

Before Mr. Justice Donaldson

[Judgment delivered July 7]

The court in *Tradex Export SA v. Andre & Cie SA* considered the application for an order compelling the production of documents by the Tradex Export SA.

The court found that the documents were not privileged against self-incrimination. The court held that the documents were not privileged against self-incrimination.

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requirement that the notice should be given to each subsequent seller in the chain of sales.

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In brief

Owen caution on mercenaries

A delegation of relatives of the seven British mercenaries detained in Angolan prisons visited Dr. Owen, the Foreign Secretary, in the Foreign Office yesterday, but were given little encouraging news.

"We understand their conditions are clean and that they are being treated fairly," Mrs. Lesley Ryan, sister of Kevin McCarthy, said. "But the Owen has been non-committal."

Mr. Somare stays on
Port Moresby, July 11.—The coalition Government of Mr. Michael Somare, the Prime Minister, appeared certain tonight to retain power after Papua New Guinea's first general election since independence, nearly two years ago.

Uranium negotiations
Ottawa, July 11.—Herr Schmidt, the West German Chancellor, began talks here with Canadian leaders covering Canada's surrender of uranium, a material for which Bonn was an important customer.

Greece sweaters
Athens, July 11.—Pires swept the country recorded some of its highest temperatures in the past 50 years. In Athens it was 115° F. yesterday and 105° F. today.

Disputat's return
Rio de Janeiro, July 11.—Mr. Louis Robert Mackenzie, First Secretary of the Haitian Embassy in Brasilia, who is alleged to have ordered the murder of his ambassador's wife here under escort for Port-au-Prince.

Soviet soldiers killed
Moscow, July 11.—About 15 soldiers were killed and several others wounded in a battle with the Chinese in the border region of the Far East.

Yacht race cancelled
Cape Town, July 11.—The 1977 Cape Town "Rio de Janeiro" yacht race has been cancelled because of pressure by the Brazilian Government on the Rio de Janeiro Yacht Club, officials announced here.

Storm toll rises
Seoul, July 11.—Rescuers dug up 13 more bodies from under piles of mud and debris in towns south of here, raising the death toll from the weekend's storms to more than 200.

More sect arrests
Cairo, July 11.—Police have arrested another 81 people from the extremist Muslim sect, which kidnapped and killed a former minister here last week. Nearly 300 are now in detention.

On the other side
Taipei, July 11.—Mr. Fan Yu-meng, the pilot who defected in his MIG19 from China to Taiwan last Thursday, is to join the Taiwanese Air Force with the rank of lieutenant-colonel.

Psychiatric treatment for Señora Perón

From Our Correspondent
Buenos Aires, July 11

The Argentine political review *Última Clave*, whose report last month that Señora María Estela Perón, the former President, had attempted suicide was denied by Government officials, has repeated the claim.

It says Señora Perón has been placed under close watch by doctors and is undergoing psychiatric treatment to prevent further attempts.

This report has not been denied by the Government. *Última Clave* says that a medical team which examined Señora Perón in her place of detention on June 14 found her recovering from an overdose of barbiturates.

Psychiatric examination revealed she was suffering from "an acute depressive reaction" with recurrent tendencies to self-destruction, "according to the doctor's report."

The report was sent to the military junta, which held an urgent meeting to discuss Señora Perón's condition.

It said that despite her "freezing mystical crises," she refused to receive the Chaplain-General of the Navy. The authorities believed she was being manipulated by her husband.

Briton missing in Hongkong is feared dead
Hongkong, July 11.—Mr. Andrew Davenport, a British journalist, who disappeared after a water skiing accident here yesterday is presumed dead, a police spokesman said today.

Navy divers searched for Mr. Davenport, aged 39, for four hours yesterday and a search by marine police went on throughout today.

Mr. Davenport, from Edinburgh, was an assistant editor of the *Far Eastern Economic Review*. Before coming to Hongkong he had worked in Britain for the *Gambit*, the London Evening Standard and the BBC—Reuters.

Briton missing in Hongkong is feared dead

From Our Correspondent
Geneva, July 11

Because of a general regional meeting that is being held in Geneva, the United Nations Fund for Drug Abuse Control has high hopes for the success of the five-year programme.

The programme, which started in 1972, aims to reduce the world's largest single source of illicit opium and heroin.

Mr. J. C. de Beus, the Fund's Executive Director, said today that a pilot project, running in Thailand, Burma and Laos, had shown that the programme could be successful.

He admitted that opposition must be expected from the Shan rebels in the hill region of the so-called Golden Triangle, who defy the authority of the Governments of Burma, Thailand and Laos, because the

illicit traffic assured them funds for maintaining their private armies.

But the Burmese Government is much firmer now on the issue, he added. The Burma programme, costing some £8m, also covers agricultural development, law enforcement, education and health.

The programme is estimated to cost 400 tons a year of illicit opium is smuggled into Thailand on the way Asia, Europe and the Americas. Burma itself has more than 12,000 addicts, most of them aged between 15 and 30.

Norway today gave the fund more than £3m for the Burma programme, observing that the contribution was a meaningful way to apply development aid funds to an important international problem.

Employment Appeal Tribunal

Seniority issue in Post Office discrimination case

Steel v. Union of Post Office Workers and Another

Before Mr. Justice Phillips, Mrs. D. Ewing and Mr. T. H. Goff

The Employment Appeal Tribunal in *Steel v. Union of Post Office Workers and Another* considered the application for an order compelling the production of documents by the Post Office.

The court found that the documents were not privileged against self-incrimination. The court held that the documents were not privileged against self-incrimination.

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Page 10

British music in France

by five contemporary composers have been unexpectedly in the French festival of early at Saintes, near Bordeaux, on Friday, as by Peter Maxwell Davies, Roger Smallley, Michael Brian Ferner, John Singer, a graduate in Paris with a diploma in composition, and a choir and orchestra performing at the festival this month.

By Britten, Maxwell Davies and Malcolm Sizer will be in a concert of choral conducted by Peter in the Salle Marthe Saint-Germain-en-Laye, on July 24, as part of a festival.

CINEMAS
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).

EXHIBITIONS
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).

ART GALLERIES
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).

THEATRE
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).

SALES FROM THE VIENNA WOODS
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).

Oliver Theatre
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).
NEMA, North Hill, 7.30, 9.30, 11.30. *The Godfather* (R).

The fascination of the modern city

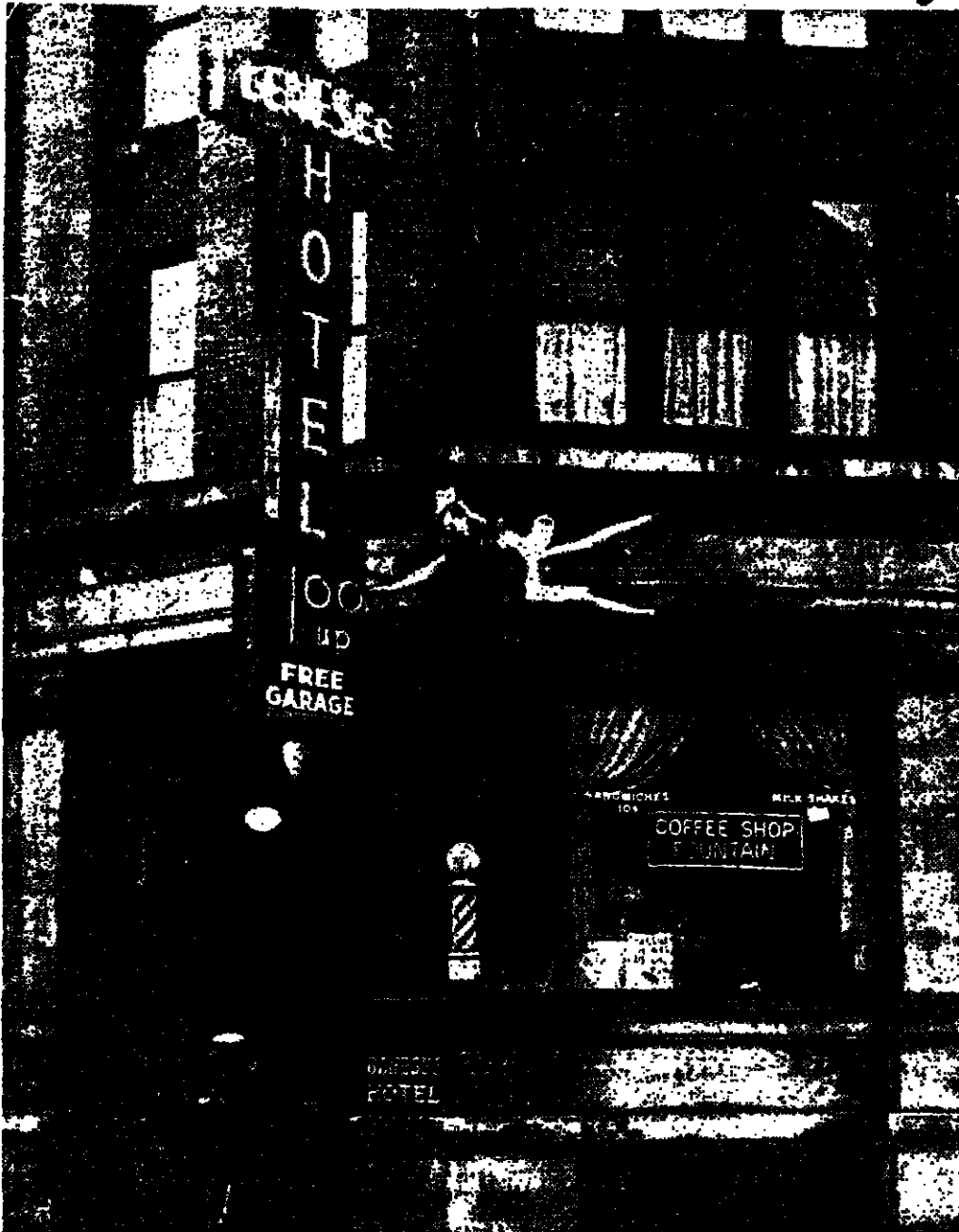
The city as a subject for painting has been a common enough one in history. (See, for instance, the *London and the Thames* exhibition at Somerset House, which Jeffery Daniels will be reviewing.) But in the last decades of the twentieth century the subject was pursued with an intensity it had rarely been given before.

Ian Jeffrey describes it as "obsessional" in the introduction to the touring exhibition which he and David Mellor have organised for the Arts Council. The show, which is called *Cityscape 1910-1939* and is at Bradford City Art Gallery until August 14, brings together a body of work hitherto inadequately known. It is a particular view of the city. The Futurists, who, as Jeffery points out, were the first to show this obsessional interest, have been excluded, ostensibly on the ground that their work is well enough known. Yet to have included them would have markedly altered the tone of the exhibition. For their enthusiasm for the city was exuberant and optimistic; whereas most of the work included demonstrates that mixture of fascination and horror which Baudelaire reserved both for the crowd and the city through which it flowed. Or, at least, if that is so, it is too strongly, it reveals an ambiguous attitude to the city, far from the heroism of modern life that the Futurists strove to convey.

Most of the paintings and drawings display a profound unease. There are a few photographs included, but not many. This is surprising because Jeffrey and Mellor are experts on photography and organised the huge photographic exhibition at the Hayward some years ago, *The Real Thing*. But the reason becomes apparent in the light of another show on the theme of the city, The Photographers' Gallery in London has organised an exhibition called *Concerning Photography* (until August 27) whose subject matter is urban imagery in the twentieth century. In many ways it is the complement of *Cityscape*, and its catalogue also includes an essay by Ian Jeffrey.

The photographs in this exhibition do not show the kind of unease which is so apparent in the paintings in *Cityscape*. They demonstrate a variety of attitudes towards the city; but the angst of the city painter is rarely one of them. The photographs may be implicitly critical of what goes on in the city, but he does not demonstrate the fascinated horror of the painter; he does not, cannot, create the claustrophobic terror of a painting or drawing by Oskar Schindler, George Grosz or Max Beckmann.

The Swiss photographer Robert Frank's pictures of America sometimes come close to this. Compare them with Walker Evans's photographs mostly taken in the Thirties.



Suicide, by I. Russell Soggi

Evans's pictures always seem to offer hope; Frank's do not. They do not actively deny it; they merely fail to offer its possibility. This is unusual in photography. Because photography is instantaneous, or almost so, and can stop time it offers the possibility of halting the flow of life and, perhaps, changing it. There is a photograph in the London exhibition by I. Russell Soggi which shows a woman who has jumped out of a window falling to her death. The photograph freezes her in mid-fall. Although we know that the next moment must be terrible and fatal, that moment is frozen there for all time, in which the woman is not yet dead, the act of suicide not yet completed. As a painting the picture would have little impact. As a photograph its impact is enormous.



Rachel Yakar and Thomas Allen

Don Giovanni
Glyndebourne
Many people—not only producers, but also novelists, composers and performers—have tried to interpret Giovanni. The power of Peter Hall's interpretation, devised largely from the fact that he does not superimpose extraneous ideas upon it. Everything comes direct from Don Juan and from Mozart.

Well, almost everything. There is no compelling reason, I think, for setting the opera in a period somewhat later than its composition. But any complaints about the darkness and austerity of John Bury's sets must take account of Peter Hall's view of the work.

It is a comic opera, but not a funny one. At the traditional amusing moments, like the "Catastrophe" aria, Zerlina's re-creation of the cruel duelling of Elvira, we smile only moderately, because the comic element is made plain.

There are no abstract paintings in *Cityscape*; nothing, for instance, by Mondrian. It would probably not have been possible to borrow any. But again their presence would have altered the tone of the show. For Mondrian was a man who loved the city with abundant optimism. The nearest to abstract paintings are two small early collages by Schwitters, and even these look somewhat out of place here.

The exhibition is subtitled "Urban themes in American, German and British Art", although two French artists, both photographers, Arget and Carrier Bresson, are also included. America, Germany and Britain were the most heavily industrialized countries in the world at the time. Italy had industrialized very recently and very quickly, the steam-age and the electrical age combined together; hence the technological enthusiasm of the Futurists reminiscent of that of Erasmus Darwin, John Dyer and Wright of Derby for the social history of the first industrial revolution in England.

In France the process had been more gradual, the scale less enormous; the technological optimism of Debraumay and Léonard was more balanced, and considered that the Futurists. In Germany artists and writers were going through the revolution against industrialism and technology which had occurred in Britain at the beginning of the nineteenth century. Attitudes in Britain and America were more ambiguous. After the hostility of Morris and Ruskin, the Victorians adopted an attitude to the machine which was more guarded than that of the Futurists. After the First

World War their approach changed profoundly. (These postwar pictures are the ones that have been chosen for *Cityscape*.)

Some of the most interesting paintings in the show are those of British artists confronted with the spectacle of New York. Nevinson's *The Soul of a Soulless City* shows a vertiginous view from the tracks of the elevated railway. The picture is ambiguous. Nevinson is both frightened and awestruck by the great, soulless metropolis. No human beings are visible in this view of the city. Its very emptiness conjures up the multitude we know inhabit it. But among that multitude the individual seems to have no life. For the American-born artist, the American city, with its soul, and within its cavernous or anonymous streets the individual remains his or her identity and inwardness, like Edward Hopper's cinema urban scenes, illustrated in the catalogue but not in the exhibition.

Yet that painting, *New York Movie*, suggests hope, not despair or unease, and comes significantly at the very end of the period the exhibition covers (it was painted in 1929). A much earlier Hopper painting in the show is of a young girl, naked, kneeling alone on her bed about to climb into it. *The Evening Wind* of the title follows the curtain towards her as she gazes out of the window on to a summer cityscape of roofs. In reality the open window reveals no such cityscape; there is only the blank white paper of the print. Yet somehow we feel it is a city scene outside and the young girl's unease and expectancy at the vision she contemplates.

Tribute to Enid Blech

Royal Opera House
Orchestra/Solti
Covent Garden

William Mann
Enid Blech, who worked as Sir George Solti's personal assistant for 15 years, was greatly respected and much loved throughout the musical profession. When she died four months ago, and he suggested a memorial concert for her, many and diverse were the musicians who asked to take part. It took place on Sunday, before a large and clamorous audience in the Royal Opera House, and was in aid of the Malcolm Sargent Cancer Fund for Children.

Inevitably the programme was an anthology, but it was so constructed that it gave much pleasure; comparing favourably with, for instance, the operatic half of the jubilee gala. For once the Covent Garden orchestra was in full view, seated on a platform above the orchestra pit where it was joined by its soloists, as in an ordinary concert hall, and by either Solti or Edward Downes as conductor.

Several of the singers performed more than once. Thus Michael Frayn gave a wonderful, impassioned account of "Vissi d'arte" (Puccini's *Tosca* is not yet one of her roles, so it was a collector's item); Luciano Pavarotti made the rafter ring with "Nessun dorma" from *Turandot* (twice, since he was made to repeat it). They had already collaborated

LSO/A. Davis
Festival Hall
Barry Millington
Andrew Davis has never been a conductor whom it has been necessary to patronize since he made his first major impact on the London music scene in his late twenties. Without losing his youthful spontaneity he has developed his formidable skills until he has become an assured interpreter of some of the most demanding scores in the repertory.

Sunday's performance at the Festival Hall of Mahler's third symphony, with the London Symphony Orchestra, showed well that he has two of the qualities so vital for success in such late-romantic scores: discipline and patience. The conductor's marshalling of the motific fragments that make up the thematic material of the first movement ensured that, while each was given a distinctive character, each also had a clearly defined place in the overall scheme. Taut

Paul Overy

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At Brighton Corn Exchange until Sunday as part of this year's Brighton Festival is *The Generation Show*, a not-so-serious attempt at conjuring up the social history of the next 25 years, organized by Christopher Firmstone and Bevis Hillier. Collages of news photographs and newspaper cuttings are grouped together under headings of "Cause and Demos" (CND, etc.) and "Life in the same mosaic style as Carnaby Street fashion. The effect is like watching a television programme on the subject, and the exhibition includes photographs which play havoc with the imagination. It is of notable events of the era, football matches, Roger Bannister running the four-minute mile, and so on. What the exhibition does do and which a television programme could not, is evoke very concretely the stylistic changes which reflected the changing age in a line of motor-cars of the period from 1952 to the present day, which look as though they are caught in a 25-year-long traffic jam.

One of the most interesting features of the contest, emphasizing its search for musicianship as opposed to mere prestidigitator, is that the third round is devoted to chamber music, and still more unusually, to piano music. In the second round each candidate's last piece had to come from a group of 11 moderns ranging from Schoenberg and Berg to Stockhausen, Bartók and Cage. Prize money is generous. But as at Leeds, the engagements offered are still more valuable, especially of course, for the winner, who besides many contracts in Italy gets dates in Paris and Amsterdam as well as a contract for one RCA record. In sum, responsibilities are immediate and heavy enough to demand achievement, not merely promise. Though from the start this year's finalists stood out from much worthy but unexciting material, it was not easy for the jury (of which I was privileged to be a member) to decide who was most ready for so heavy a public workload.

Artistic immaturity at first weighed against David Lively.

Pianists take over La Scala

The second Dino Ciani International Piano Competition in Milan has just been won by David Lively, an American, 24.

The second prize went to the Argentinean, Daniel Rivera, 25, the third to Verena Pfenniger, 28, from Switzerland, and the fourth to the Pole, Alicja Fikderkiewicz, 24. Despite some last-minute withdrawals, 16 countries were represented, with Italy and France, closely followed by the U.S., expected the list in number of entries. England sent only one. From the USSR there was none.

The contest is the newest of Italy's astonishingly large crop of such events, held every two years in memory of the gifted young Italian pianist, Dino Ciani, killed in a car crash in 1974, when only 33, just when his career was taking an international turn. For the candidate, the venue is at once inspiring and daunting. Thanks to the Sottosopra (responsibility for all administration) the finals with orchestra take place on the great stage of the Scala itself, while preliminary rounds are held at the end of the adjoining Piccola Scala. All except the preliminary admission round are open to the public, free of charge. Interest this year grew to such an extent that for the final rounds, and especially there, was not an empty seat, not even in the big house on the eleventh and last day.

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in the nineteenth century he was too self-conscious a pianist. But with tone and texture of lovely, limpid transparency coupled with exceptional finesse in virtuosity, he soon won the day. Stravinsky's *Petrushka*, Dallapiccola's *Quaderno musicale di Annalibera*, and Bach and Mozart as well, all came up with irresistible youthful candour and freshness. With an "lively" imagination, he is an artist from whom a lot more may be expected as the years pass.

Technically, Daniel Rivera was more high powered than Lively, as their common choice of Liszt's E flat concerto as well as *Petrushka* made plain. Big works like the *Hamerik* over and Liszt's B minor sonata also came over at strong voltage, though climaxes easily grew over-insistent, sometimes clanging. As an interpreter, however, Rivera was considerably less exploratory than Lively, not least when it came to the more intimate revelations of chamber music and Lieder.

In this field Verena Pfenniger was outstanding. In many ways she was the most deeply committed musician in the contest, proved in expansively mature accounts of Beethoven's *Emperor* and Liszt's B minor sonata. Her temptation at the moment is to overdo, notably betrayed in a lamentably unattractive attempt to turn the 32 Variations of C minor into late Beethoven and Ravel's *Gaspard* into Liszt at his most heart-wringing. In comparison Alicja Fikderkiewicz was too virginal, although a delightful little artist-to-be, with an intuitive feeling for the shape of a phrase.

Of those not awarded prizes, sensitive semi-finalists like Martin Doerrle from Germany, and Italy's own Andrea Bonatti and Pierluigi Amica, are names that we shall surely encounter again. The jury consisted of Nidia Magloff, Rudolf Firkusny, Martha Argerich, Fou Ts'ong, Marcello Abbado, Alberto Mozzati, Giorgio Vidossich, and myself, with the Italian Quartet, Paolo Bordani, as special guest for chamber music.

Joan Chissell

Lindsay and Chillingirian Quartets

St John's

Max Harrison

"Unmistakably a work of genius," said Tovey of Mendelssohn's Octet, and that, might almost seem an inadequate response to the unflagging inspiration, the inspired, astutely surefooted craftsmanship of this score by a 16-year-old composer. At St John's at lunchtime yesterday the combined Lindsay and Chillingirian Quartets imparted just the right sort of youthful freshness and vitality to the music, with each paragraph lovingly shaped, each phrase musically felt.

The slow movement was liquid and graceful, the Scherzo poised and full of silvery brilliance. Yet the effect was never too suave, as performances of this composer so often are. Mendelssohn insisted that this work be played in orchestral rather than chamber music style, especially in the long opening movement, the Lindsay and Chillingirian

Quartets managed the quasi-orchestral textures without strain, with, indeed, plenty of attack, even fire. Near the close of the finale, too, they integrated Mendelssohn's glances back to the Scherzo's theme with an aptly smiling inevitability.

Mendelssohn's Octet was written in 1825, and just a century later, in 1925, another precocious teenage piece was composed for the same medium. This was Shostakovich's Prelude and Scherzo for double quartet, which appeared at about the time of his Symphony No. 1, when he was 19. Already the music is characteristic, and although they last only 15 minutes, these two pieces unequivocally announce an exciting new talent.

And yet it is less original than Mendelssohn, for whereas the Octet and his other major teenage pieces seem to have scarcely any precedent, it would be hard to believe that Shostakovich did not have the earlier composer's example in mind when he wrote his Scherzo. But it still has a voice of its own, driving, almost haughty, well contrasted with the lyrical Prelude. The performance was finely drawn.

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Philip Howard

Supporting their arguments, they cite the case of Pakistan's rapid economic growth under the iron hand of the late Field Marshal Ayub Khan in the late fifties and sixties and the sub-

the highest per capita income in Asia, second to Japan. Modern office buildings tower over the cleanest and safest streets in Asia—providing tes-

Ruthless with his opponents, the Korean leader has scrapped all pretence of democratic norms since he assumed power after a coup in

"I am a little bit insecure—I am afraid of the future. The security of the country is based on the constitution. I do not mind if President Marcos stays in the presidential palace. What I am worried about is the succession. Something should be laid down now before it is too late. I feel that if something happens there will be a power struggle. The Church is against violence. The constitution should be above the president. At the moment he controls the constitution. He says it is the people who control the constitution but I do not believe the people know what is happening."

Peter Hazelhurst



It was President Assad of Syria who first broached the nuclear stakes on behalf of the Arabs this year. At a small, friendly news conference with American journalists in the spring he announced that if Israel acquired nuclear arms, Syria would buy them as well. Yet no one pretends that either Syria or Egypt has placed nuclear warheads in their Soviet hands. Assad's words cannot be laid in hands on spare parts for its tanks and the inescapable fact behind all the Arab threats is that they would lose once again if another Middle East conflict broke out in Sinai or Golan.

That is the important reason why the Arab press news on Syria, their part, the American, is exerting their diplomatic efforts in the direction of the Arab states and Israel instead of the Palestinians. Mr Carter appears to have convinced himself that President Sadat's long standing refusal to decide on the destiny of the Palestinians, and in the short term this was probably true. But in the long term, continued American refusal to deal with the Palestinians unless they recognize Israel is the only driving force that has far and his colleagues into the Soviet orbit, an event which the Israelis constantly fear.

The concept of Arab unity has meanwhile been allowed to wither for a time. Egypt's quarrel with Libya rumbles on. Like Syria's constant state of confrontation with Iraq. The talk of Palestinian-Jordanian

Robert Fisk

Bernard Levin

Before going on to discuss some of the broader questions that arise from the election, I shall give details of the voting itself, as I think they are

Bower	1,300
Harkness	734
Maclean	565

At this point, the bottom two candidates were excluded;

Many more important, however, is the conclusion to be drawn from Mr Bower's showing. One thing that can be counted on with absolute certainty is that the extremist left mem-

It has been instructive to contemplate the anger aroused in some NUJ quarters by my advocacy, in this column, of support for Mr Ashton as first preference and Mr Norris as second. I am, of course, used to angry accusations of "intervention"

all they ever wanted was the right to put their case as extensively as I put mine. Let them think again, in the light of some measurements I have just been making. In the course of the NUI election, I devoted 154 column inches to my advocacy of Mr. Ashton's candidature and my opposition to Mr Bower's; in

that Mr Ashton's election can provide a rallying-point for those of moderate opinion within the organization, who will, like Mr Ashton, work for a strong and effective union, but one that is in fully democratic hands and fully responsive to the wishes of its members.

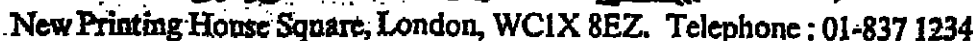
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making it clear that the Israel-
is will not be allowed to have
economic relations with Cairo.
The concept of Arab unity
has meanwhile been allowed to
wither for a time. Egypt's
quarrel with Libya rumbles on
like Syria's constant state of
confrontation with Iraq. The
talk of Palestinian-Jordanian

armies scored remarkable victories in the early days of the last war. Yet Israel appears to be the only nation in the Middle East today that has not yet concluded that the Arabs will lose the next war should it ever come about.

Robert Fisk

from the context of
no, for reminding me that
cast. I shall now not have
when I use the word in
ivity. And, before some pedant
use the word "field" with
dead metaphor which
notations except to a prize

[illegible]

JOHN KILBRACKEN,
Killegar,
Tavan.

P. BELL,
28 Ayresome Terrace,
Leeds,
formerly of Mansfield Road,
(Oxford),
July 8.

41 Garden Road,
Tonbridge,
Kent.
July 10.

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THE TIMES

BUSINESS NEWS

The new German phenomenon: discontent among the unions, p 19

Mr Callaghan will announce new measures to tackle inflation at end of this week

By Malcolm Brown

Mr Callaghan yesterday told industrial and trade union leaders that the Government hoped to make a public statement at the end of this week on its plans for the next stage of countering inflation.

He was speaking at the close of the second of two conferences on industrial strategy held at Lancaster House, London. It was attended by senior Cabinet ministers, including the Chancellor of the Exchequer and the Secretaries of State for Industry, Employment and Trade.

More than 100 delegates from the Economic Development Committee of the National Economic Development Office and the various working parties set up to help implement industrial strategy attended.

Mr Varley, Secretary of State for Industry, questioned after the meeting about pay policy, saying the Prime Minister had been very firm in saying to the delegates that the Government objective was to get a policy that would bring down the rate of inflation to the level of our international competitors.

The government would not be deflected from this, the Prime Minister told the conference.



Mr Healey, the Chancellor, with Lord Watkinson, president of the Confederation of British Industry, and Mr Hugh Scanlon, president of the Amalgamated Union of Engineering Workers, at yesterday's meeting.

Endorsing the Prime Minister's pledge, Mr Varley said: "There are very great prizes we can obtain providing we can bring down the rate of inflation".

The objective was single figures by next year, said Mr Varley. "That is what we set out to do and that is what we will try to achieve", he said. "Yesterday's meeting covered three main areas: Britain's share of world markets, investment and productivity, and the

issue of communicating the industrial strategy to the shop floor."

Mr Varley said that among the issues raised from the floor were the Garm multi fibre agreement, the textile industry and the man-made fibre industry said it was crucial to them that there should be a firm stand in renegotiating this.

Sir Ronald McIntosh, Director General of the National Economic Development Office, said that there had been widespread agreement during the day that companies should feed sector working party reports into their joint consultative machinery with the trade unions as a way of implementing the strategy on the shop floor. He believed that the interest from the trade unions at the meeting had been much stronger this time than at the first conference, which was held last month.

Some cases now going for hearing at the Commercial Court cannot be offered dates until the end of next year. Concern about some increasingly heavy workload, have come from various quarters. The idea of the committee, which has secured the approval of the Lord Chancellor and the Lord Chief Justice, is to establish a direct liaison between the court and those regularly using it.

The committee, which will have its first meeting next week under the chairmanship of Mr Justice Kerr, the listing judges, will include representatives of a number of outside interests including the Bar, solicitors, arbitration organizations, the commodity markets and banking, shipping and insurance interests as well as protection and indemnity organizations.

There are several possible options for dealing with the court's difficulties. One would be to drop the present system of giving fixed dates for hearings in favour of a more flexible one.

Alternatively there could be more sittings—usually four of the commercial judges are sitting at the same time—possibly with one Queen's Bench judge, in some commercial cases. But there are difficulties there because of the generally heavy workload in the courts.

The committee will also look at the cost and delay which can be caused by the "special" procedure in arbitration. There has been long-standing anxiety about this system under which parties who might otherwise go to an independent arbitrator can take the matter to the Commercial Court as a special case.

Whether other means might be found for dealing with at least a proportion of such arbitration disputes.

Derek Harris

Offers for Mr Turnbull

Continued from page 1

September 1973 after disagreements over policy, was considering a number of approaches, two in particular. But it was unlikely any decision would be taken for the next few weeks.

Mr Varley, Secretary of State for Industry, is known to be keen on building up the NEB's expertise in dealing with Leyland, particularly after the premature retirement of Lord Ryder, the NEB chairman, and leader of the team which prepared the Leyland reorganization plan which bears his name.

There has been much speculation about the Government's intentions. Mr Turnbull has returned to take on a position with Leyland itself, but this would clearly cause difficulties for Mr Alex Park, the present chief executive. The answer seems to be an appointment to the NEB, though the salary problem is proving a headache.

Certainly, Mr Turnbull would be quite a catch for both the Government and the NEB, given both his knowledge of Leyland and the United Kingdom motor industry. The NEB is known to be keen on opening up certain Korean

contracts including a power station and even has a subsidiary in the medical equipment field active in that market. At Hyundai, where he was vice president, Mr Turnbull placed many big orders with British motor equipment manufacturers.

There is a mystery about the Government's contacts with Mr Turnbull. It is known that Sir Peter Carey, Permanent Secretary to the Department of Industry, went to South Korea in February at the time of the Leyland turmoil crisis, when the Government ordered a review of the Ryder programme. More recently, Sir Peter has been in the United States (where Mr Turnbull has also been on visits to a married daughter), where he heard pleas from Leyland distributors for Whitehall action to get better supplies of United Kingdom cars.

Mr Varley is expected to make a statement on Leyland's future financing before the summer recess.

With the departure of Lord Ryder from the NEB, where he was paid £13,850 a year, there is a big gap to be filled. The kind of knowledge that is now needed.

S

**SUTCLIFFE
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Salient points from Statement by Chairman, Mr. S. W. Lacey

- ★ The group trading profit for the year ended 31st March 1977 was £452,431 compared with £492,117. After interest charges of £112,943 against £40,185 the group profit before taxation was £339,488 compared with £451,952. The return on average capital employed was 17.3%. Earnings per share were 6.3p. The Directors recommend a Final Dividend of 1.0682p per share which is the maximum payable.
- ★ **ENGINEERING DIVISION.** Had a particularly trying year. Home market demand virtually non-existent was entirely dependent upon overseas orders. Current year business will be mainly from Middle East countries and U.S.A. Have good order book and promising outlook.
- ★ **CARBON DIVISION.** Another good year. The benefits of the plant modernisation became more apparent during the year. We have a very satisfactory order book for home and export and the outlook is quite encouraging.
- ★ **PROSPECTS.** The prospects for the current year are good. There should be a marked improvement in the results from the Engineering Division and a continuation of the good return from the Carbon Division. I am confident that we shall be able to resume the steady increase in your company's growth and financial performance.

The Annual General Meeting of Sutcliffe Speakman and Company Limited will be held at the Midland Hotel, Manchester on Tuesday 2nd August 1977 at 12.30 p.m.

R-R Motors gives up Fodens bid

By Nicholas Hirst

Rolls-Royce Motors yesterday lost its battle to gain control of Fodens, heavy vehicle manufacturer, while L. Gardner, in which RRM has a near-17 per cent stake, announced it was having bid talks with Hawker Siddeley.

After increasing its initial offer RRM was not expected to try again and is allowing its bid of four RRM for every five Fodens ordinary shares and 16 RPM ordinary for every five Fodens preference shares to lapse.

The low level acceptance, with holders of only 6.95 per cent of the ordinary and 14.63 per cent of the preference, voting for the deal, which was closed yesterday, is a victory for Fodens' advisers, County Bank, which arranged the cash injection by institutions two years ago.

Mr David Plawow, managing director of RRM said: "We

are a little disappointed. Fodens shareholders believe their company is worth more than we think it is worth. We are glad the company is doing so well and hope it will remain a strong and independent part of British industry."

The announcement that Gardner was having bid talks with Hawker, which was made in line with a recent Stock Exchange ruling, came as a double blow to Rolls-Royce, which has had tentative talks with Gardner itself. Mr Plawow said RRM would be watching the situation closely. Gardner's shares were suspended at 230p.

Mr Clayton Flint, chairman of Gardner, said: "Hawker are strong in money and we are strong in diesel experience. Although Hawker also has extensive experience in diesel engine production, we are in the automotive side, which they are not in at all."

At present Gardner is making

around 5,000 diesel engines a year, an improvement of around 500 units on its 1976 performance when its profits improved sharply from £753,000 to £1,640m.

It spent £1m on improving its foundries and increasing capacity last year and will be spending a similar amount on capital improvements this year, but until last year its profits performance was patchy, although its product is regarded as first-rate.

Its share price has improved since RRM acquired its stake and as the potential of the diesel engine market has been more fully appreciated by the stock market.

Industrial engines have been chosen under the Government's industrial strategy as one of the sectors for special study. Gardner has had talks with the National Enterprise Board but a merger with Hawker would not necessarily be from a Financial Editor, page 19

Priority for company law reform urged by accountants in report to Whitehall

By Christopher Wilkins

Important reforms of company law, including a proposal to redefine the status of companies, have been submitted to the Department of Trade by the accountancy profession.

The submission takes the form of a 38-page memorandum entitled *Improvements to Company Law*. In it, the Consultative Committee of Accountancy Bodies, which represents all the leading accountancy bodies in Britain, urges that companies legislation should now be given priority.

It says: "We are concerned that the basic code for companies is contained in legislation now some 30 years old. We are also concerned that, although there have been many constructive recommendations on companies legislation, not only in the Jenkins Report of 1962 but in the intervening 15 years, Parliamentary pressures appear to have been such that few of the recommendations have been accepted and that consequently the modern company law statute has not emerged."

The memorandum comes at a time when the department is turning its attention again to the whole question of company law, and has encouraged the accountants to air their views.

Most of the recommendations concentrate on sealing gaps in existing legislation, which have been highlighted by a number of financial scandals in recent years.

These include a proposal that inside dealing should be banned—something that both Labour and the Conservatives favour—the spelling out of the duties of directors with substantial penalties for those in default (a measure first proposed by the Jenkins report), prohibition of the provision of funds by a company to buy its own shares, and tougher controls on loans to directors.

The CCAB has also turned its attention to the role of auditors. It says that auditors should have the right to attend and speak at board meetings held to approve annual accounts, and that any such meeting should authorize certain directors to sign a statement on the balance sheet that the accounts present a true and fair view.

Audit committees should be encouraged among listed companies "on an experimental basis", although for the time being they should not be required to air their views.

Asked for his assessment of how long this final part of the negotiation might take, Mr Strauss replied that he hoped "90 days, give or take, could see that done". For the first time the EEC and the United States shared "a joint, full political commitment" to meet a precise timetable.

Speaking at the same press conference, Herr Wilhelm Haferkamp, the EEC commissioner responsible for external relations, confirmed that the two sides had approved "a rapid working timetable" and were agreed on the need to "move actively and speedily ahead" in the Geneva negotiations.

Although the mood of optimism was a notch or two lower on the EEC side, today's discussions were seen as significant, given the demands for protectionist measures on both sides of the Atlantic. Pressure for delay of the Geneva negotiations has been particularly sharply felt in France.

Mr Strauss said that he would be taking back to President Carter and Congress "an exceedingly positive report" and a personal prediction that the stalled multilateral trade negotiations in Geneva could be successfully concluded by mid-April next year. The negotiations are aimed at reducing the tariffs and other barriers to trade.

The EEC and the United States had made more progress during the seven hours of their talks today than they had in as many months, Mr Strauss claimed, adding: "We have got rid of some of the ghosts and bogymen which have been hovering over these negotiations."

The basis for Mr Strauss's optimism was what he described as "a full accord" to complete the penultimate stage of

the Geneva negotiations in four phases by January 15, 1978. This would then be followed by the "commencement of final, detailed negotiations".

Asked for his assessment of how long this final part of the negotiation might take, Mr Strauss replied that he hoped "90 days, give or take, could see that done". For the first time the EEC and the United States shared "a joint, full political commitment" to meet a precise timetable.

Speaking at the same press conference, Herr Wilhelm Haferkamp, the EEC commissioner responsible for external relations, confirmed that the two sides had approved "a rapid working timetable" and were agreed on the need to "move actively and speedily ahead" in the Geneva negotiations.

Although the mood of optimism was a notch or two lower on the EEC side, today's discussions were seen as significant, given the demands for protectionist measures on both sides of the Atlantic. Pressure for delay of the Geneva negotiations has been particularly sharply felt in France.

Mr Strauss said that he would be taking back to President Carter and Congress "an exceedingly positive report" and a personal prediction that the stalled multilateral trade negotiations in Geneva could be successfully concluded by mid-April next year. The negotiations are aimed at reducing the tariffs and other barriers to trade.

The EEC and the United States had made more progress during the seven hours of their talks today than they had in as many months, Mr Strauss claimed, adding: "We have got rid of some of the ghosts and bogymen which have been hovering over these negotiations."

The basis for Mr Strauss's optimism was what he described as "a full accord" to complete the penultimate stage of

the Geneva negotiations in four phases by January 15, 1978. This would then be followed by the "commencement of final, detailed negotiations".

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Dollar and pound fall against most currencies

By Our Economics Staff

Foreign exchange markets were extremely active yesterday as the dollar plunged to an all-time low level against the yen, and to a two-year low level against most other currencies.

Reverberations from the dollar's fall sent the pound down to 60.7 on the effective rate index. The French franc was also pushed to its lowest level yet in relation to the Deutsche mark.

There was central bank support for the dollar in many financial centres, but the sums involved were not thought to be particularly large.

The dollar revived briefly in the afternoon, but selling from New York pushed it down again. It closed at 263.2 against the yen—a fall of more than 4 per cent from its level two weeks ago.

Against the Deutsche mark the American currency dropped by nearly 1 per cent in the day, to close at 2.2825.

Sterling took a back seat for most of the day although there was some pressure on its rate against the dollar in the morning. The Bank of England intervened in the market to steady the rate.

It is clear, however, that the authorities are prepared to see the pound go down with the dollar, as they later resisted a rise in the sterling-dollar rate to above the closing level of 1.72.

Harry Debelius writes from Madrid: Amid increasing speculation that a sharp devaluation of the Spanish peseta was imminent, the new government headed by Señor Adolfo Suárez met this proposed economic measures high on the agenda.

Bankers were predicting that within a few days there would be a devaluation of from 15 to 30 per cent to accompany austerity measures to prop up Spain's sagging economy.

The issue of Spain's devaluation in foreign currency for the day at least, with no explanation.

Inflation is officially running at about 23 per cent, or on bankers' unofficial estimates 33 per cent, and Spain's exports are being priced out of the market.

This gives observers reason to believe the exchange rate adjustment will be severe.

Crown Agents sell £31m offices in Australia

By John Brennan

In the largest single commercial property deal ever completed in Australia the Crown Agents have sold the 46-storey Capital Tower office complex to the National Bank of Australia for A\$47m (about £31m).

This is also the biggest sale to date from the Agents' £200m-plus Australian property portfolio, and disposing of the 481,000 sq ft building relieves the Agents of a major letting problem. Only two of the building's 46 levels—34 of which make up a 518 ft tower block—had been pre-let ahead of completion last year. And this one building, which will be the National Bank's main offices, accounted for 70 per cent of all the vacant space in the Agents' portfolio.

The sale price is "substantially more" than the book value placed on the Tower in a December, 1976, valuation, according to Mr John Brown, the Agents' property consultant. But the price is perhaps a fifth less than the cost of the building, construction of which is now two years behind schedule.

RTZ court upheld

The Court of Appeal yesterday unanimously upheld Rio Tinto-Zinc's right of privilege against possible self-incrimination over company documents relating to an alleged uranium cartel.

The Westinghouse Electric Corporation lost its appeal to force RTZ to produce the documents before a United States Court. Law Report, page 8

THE POUND

Bank	Bank
Bank of America	1.55
Bank of Canada	1.53
Bank of France	1.52
Bank of Germany	1.51
Bank of Italy	1.50
Bank of Japan	1.49
Bank of Netherlands	1.48
Bank of Norway	1.47
Bank of Sweden	1.46
Bank of Switzerland	1.45
Bank of the Netherlands	1.44
Bank of the United Kingdom	1.43

Bank Base Rates Table
Annual Statements
Ocean Wilsons

Reed International
Sutcliffe Speakman

Manufacturers' raw material costs decline for second month

By Our Economics Staff

Manufacturers' raw material costs fell by 1 per cent in June, the second consecutive month. Wholesale prices were also down, but at a slower rate.

Wembley Exhibitions, which has been in the doldrums for several months, is now showing signs of recovery. The company's turnover rose by 5.7 per cent in the first quarter of this year.

This is the first increase in the company's turnover since the first quarter of last year. The company's profits also rose by 5.7 per cent.

So far this year, however, the slowdown in the official price index has been more than offset by a rise in the cost of raw materials. Wholesale prices rose by 1.1 per cent in June, the first increase since the first quarter of last year.

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Central government borrowing is down

By David Blake

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How the markets moved

The Times Index: 181.44-1.39
The FT index: 439.8-3.9

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New attempt to end Chloride sit-ins

By R. W. Shakespeare

A fresh attempt to end the two-month sit-ins by 4,500 workers at two factories in Manchester and Dagenham belonging to Chloride Industrial Batteries is expected to be made later this week.

Proposals worked out at a series of meetings between management and union representatives over the weekend will be put to mass meetings of the 3,000 workers at Clifton Junction, near Manchester, and the 1,500 at the Chloride Automotive Batteries plant at Dagenham.

Workers at both plants have been staging sit-ins and excluding senior management from the factory premises because of a dispute over a productivity bonus scheme.

Union negotiators have shown little enthusiasm for the new package of proposals which have emerged from the weekend talks, but they have agreed to put them to the workforce first—probably at plant meetings tomorrow.

A spokesman for Chloride said yesterday that "significant progress" had been made during the talks, and he added: "A clear understanding emerged between the management and unions on three issues subsidiary to the productivity bonus scheme, concerning pensions, battery imports and job security."

Meanwhile, 900 workers at another Chloride plant at Little Lever, Bolton, who ended their holidays yesterday, were laid off because of a union ban on the movement of Chloride products.

BUDGET DEFICIT (£ million)

Financial Year	Deficit	Central Government	Other
1975	1,439	-2,444	-103
1976	1,580	-1,737	218
1977	1,580	-1,737	218
1978	1,580	-1,737	218
1979	1,580	-1,737	218
1980	1,580	-1,737	218
1981	1,580	-1,737	218
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2042	1,580	-1,737	218
2043	1,580	-1,737	218
2044	1,580	-1,737	218
2045	1,580	-1,737	218
2046	1,580	-1,737	218
2047	1,580	-1,737	218
2048	1,580	-1,737	218
2049	1,580	-1,737	218
2050	1,580	-1,737	218

US-Japan oil exchange called off by Mr Carter, energy adviser says

Washington, July 11—President Carter has decided against a proposed exchange of oil supplies with Japan for political and technical reasons, Mr James Schlesinger, presidential energy adviser, said.

He said the Administration had considered exchanging Alaskan oil for Japanese supplies because of certain technical advantages for the United States, including fuel savings.

But he agreed in an interview on NBC programme "Meet the Press" that it would be difficult to convince the public of the benefits of

the plan when the Administration had been warning consumers of an impending energy crisis.

"The President had reviewed that matter and he believed that swaps would be undesirable, partly for political reasons, partly for other technical reasons," Mr Schlesinger said.

He did not give details of the technical reasons. He disclosed the President's decision on the proposed exchanges when asked to comment on statements by some Congressmen that the move would be psychologically damaging to Mr Carter.

In response to another question, he said Mr Carter's request to Congress for standby authority to impose petrol rationing was intended primarily as a hedge against another possible Arab oil embargo and not as an ordinary conservation measure.

That authority would be used only in case of a major interruption in oil supply, he said. In addition to rationing, he said, the Administration was considering other options including oil import reductions as part of its overall effort to cut petrol consumption. —Reuters.



Mr James Schlesinger: political and technical adviser.

Beer price restrictions 'may harm investment'

By Patricia Tisdall

Restrictions on prices and profits of beer could jeopardize the brewery industry's three-year £1,000m investment programme, the Brewers' Society says in written evidence sent to the Price Commission.

The commission, now investigating prices in public houses, was also warned that a delay in the investment programme could have a "significant effect" on the industry's ability to meet the increased demand for lager.

This would leave the market wide open to imports from the continent with a considerable adverse effect on the balance of payments.

In its submission the society adds that a reasonable return on capital is essential if the investment programme is to be financed. It says the industry's pre-tax return on net capital is far below the 14 per cent achieved by British industry in general.

The submission quotes a report compiled by the stockbrokers Buckmaster & Moore on the profit performance of eight large brewers representing 70 per cent of the United

Kingdom industry. This shows a 10.7 per cent pre-tax return on capital in the latest financial year. The returns vary from 6.9 per cent for Whitbread to 18.3 per cent for Arthur Guinness.

On lager, where the relatively high prices and profit margins have been subject to recent criticism, the submission points to the extra costs of lager brewing, especially high capital costs necessitated in providing plant which has a much lower throughput than that for brewing ale.

Despite its higher retail price, lager now represents more than 25 per cent of total beer sales, against a market share of about 3 per cent 10 years ago.

The wholesale price, the gross retail margin and the selling price of lager are estimated to be between 10 and 25 per cent higher than on bitter.

Selected price controls on lager is thought to be a natural step for the Price Commission to recommend once it has completed its investigation. But the brewers say that if they reduced lager prices they would have to increase the prices of other beers.

North Sea boost for company profits

By John Whitmore

Financial Correspondent

Profits from the production of North Sea oil and gas played a significant role in a further advance in the trading profits of industrial and commercial companies in the first quarter of 1977. But during the same period a substantial increase in stockbuilding left companies with a financial deficit almost as great as for the whole of 1976.

Total trading profits from United Kingdom operations for the first quarter stood at £4,365m against £3,399m for the same quarter of 1976 and £4,290m for the October-December period of 1976. Although the year on year rise of 28 per cent takes in a 35 per cent increase in stock appreciation to £1,479m, stock appreciation in the first quarter of 1977 was slightly down on the final quarter of 1976—the first quarterly drop since mid-1975.

With rent and non-trading income up from £245m to £421m (on a year on year basis) and net income from abroad up from £567m to £699m, total income showed a rise of 27 per cent to £5,485m. After allow-

ing for dividends (up 14 per cent), interest payments, profits due abroad and domestic income taxes, undistributed income also showed a rise of 27 per cent to £3,378m.

After stripping stock appreciation out of this figure, the rise in undistributed income dropped to 18 per cent at £1,899m. Against this, expenditure was 59 per cent up on the first quarter of 1976 (and 21 per cent up on the final quarter of 1976) at £2,513m.

In particular, there was a significant turnaround in the "cost" value of stocks and work-in-progress. Whereas the first quarter of 1976 had seen a decrease of £83m in this item, the first quarter of 1977 saw an increase of £478m. This also represented a significant increase on the £185m of last year's final quarter.

The net result of this higher level of expenditure was to leave companies with a £528m deficit in the January-March quarter, compared to a total of £588m in the whole of 1976. The figures will underline fears that companies could be making substantial demands on the banking system if industrial activity increases.

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LETTERS TO THE EDITOR

Where British Gas leads world

From Mr J. A. Buckley

Sir, Mr J. H. Goodland, in his letter published on June 23, continues to decry the achievements and capabilities of the gas industry.

Not only is it technically possible to produce substitute natural gas from oil, but British Gas leads the world in this field. Several of these SNG plants exist in this country and are available to produce gas which is interchangeable with North Sea gas if needed for peak-shaving purposes. Moreover, plants based on the British Gas process are being built throughout the world, primarily in the United States, where the total daily plant capacity is 1,200 million cubic feet per day.

British Gas has also developed a process to produce substitute natural gas from coal on a commercial scale and the United States Energy Research and Development Administration has recently placed a major contract with Conoco for the design of one of their plants. British Gas will receive royalty payments and will have access to new technological data.

Although this process is not a viable proposition in Britain, because of our abundant supplies of North Sea gas, it provides a valuable insurance policy for the future.

Mr Goodland goes on to say that it is unlikely that substitute natural gas could compete with other fuels. The thermal efficiency of modern processes for producing substitute natural gas from oil is higher than 90 per cent, and from coal, over 60 per cent. It is not surprising, therefore, that gas can compete with electricity from coal where the conversion efficiency is 30 per cent or less. Gas is also more efficient in distribution.

Yours faithfully,
J. A. BUCKLEY,
8 Heathside Gardens,
Heathside Road,
Woking, Surrey,
July 7.

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Yours faithfully,
J. A. BUCKLEY,
8 Heathside Gardens,
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Woking, Surrey,
July 7.

From Professor F. Weinberg

Sir, My good friend Professor Ian Fells calculates Business News Letters (July 8) how rapidly nuclear power generation must grow in order to supply the shortfall in other energy sources by the year 2000, assuming a 2 per cent per annum growth rate. He arrives at an "almost five-fold increase" in the nuclear contribution.

It is instructive to examine how this result depends on the growth rate assumed. Using

Professor Fells's data and method of calculation, a 1 per cent increase in the postulated annual growth rate would demand an approximately 11-fold increase in nuclear power by AD 2000 whereas a 3 per cent decrease would actually allow us to reduce the 1975 contribution by about one-half.

I do not disagree with Professor Fells's conclusion that "we will have to mobilise all available energy resources" nor would I presume to trespass on your space if this little exercise proved only that the difference between the regulated requirement and an exponential demand must vary very rapidly with the value of the increment. My point is rather that no finite resource can supply an exponentially growing demand for any appreciable length of time and all we can (and I believe will) cope with our problems much more effectively by adjusting our growth rate than by varying any other term in the equation. Yours faithfully,

FELIX WEINBERG,
Department of Chemical Engineering and Chemical Technology,
Imperial College,
Prince Consort Road,
London SW7.

The airlines' financial haemorrhage

From Mr A. J. Lucking

Sir, While I agree with your other correspondents that it was folly to revoke the original Bermuda Agreement, I believe that our negotiators did well to lose so little, in view of the enormous pressure exerted upon them. I was in Chicago as the deadline approached, and the lead news item on US television was that President Carter had signed the instrument revoking UK airlines' landing rights, a fact which does not seem to have been noted here.

The first declared objective of the revocation, to secure a 50 per cent share of the traffic for Britain, was totally unrealistic. The second, of reducing load factors to 65 per cent, has been on the verge of achievement by British Air-

ways anyway, who seem to schedule smaller aircraft when loads are light. For 1976, they achieved a figure of 61.4 per cent (over 63 per cent in economy class).

However, the main waste is of first class seats: the 1976 load factor for all airlines on the North Atlantic was 43.7 per cent. Because each seat and the associated lounge area, etc. occupy such a large floor area, up to five times that required for an economy seat, the consequential financial loss is high. For the year 1973-74, the most recent figures IATA has published, one can readily calculate a total loss of \$178,000,000 per annum.

British Airways probably nearly breaks even by achieving a first class load factor of around 55 per cent: and on

the Canadian routes, it has taken further remedial action by converting the upper lounge into a 32-seat economy cabin. But what are the other airlines doing to stop this financial haemorrhage? What concessions were reached about this vital part of the problem during the negotiations? It is conspicuously unfair if a loss of up to \$17 per economy passenger has to be made up by those least able to afford it, and this is what must happen when fares tend towards those needed by the least efficient operators, as they do under the IATA regime. Yours faithfully,

A. J. LUCKING,
Flat 20,
17 Broad Court,
Bow Street, WC2,
July 8.

Fair share of wage rises for housewives

From Mr C. E. Coffin

Sir, The National Consumer Council reports that one wife in three has received no increase in housekeeping allowance in the past year. The lower the husband's income, the less likely he is to hand over any increase.

The report comes as no surprise to members of this federation. It confirms our own findings from a survey

carried out early in 1976. Small wonder that housewives complain about price increases, when many receive little or nothing from wage increases intended to meet higher living costs.

However, the answer does not lie in the "tough measures" to hold down prices that Mr Michael Young is reported as calling for. As was suggested at the FMP's 1976 conference,

a more positive step would be for trade unions to urge members to give their wives a fair share of higher wages. Yours truly,

C. E. COFFIN,
Director-General,
Food Manufacturers' Federation Inc.,
1-2 Castle Lane,
Buckingham Gate,
London SW1E 6DN,
July 5.

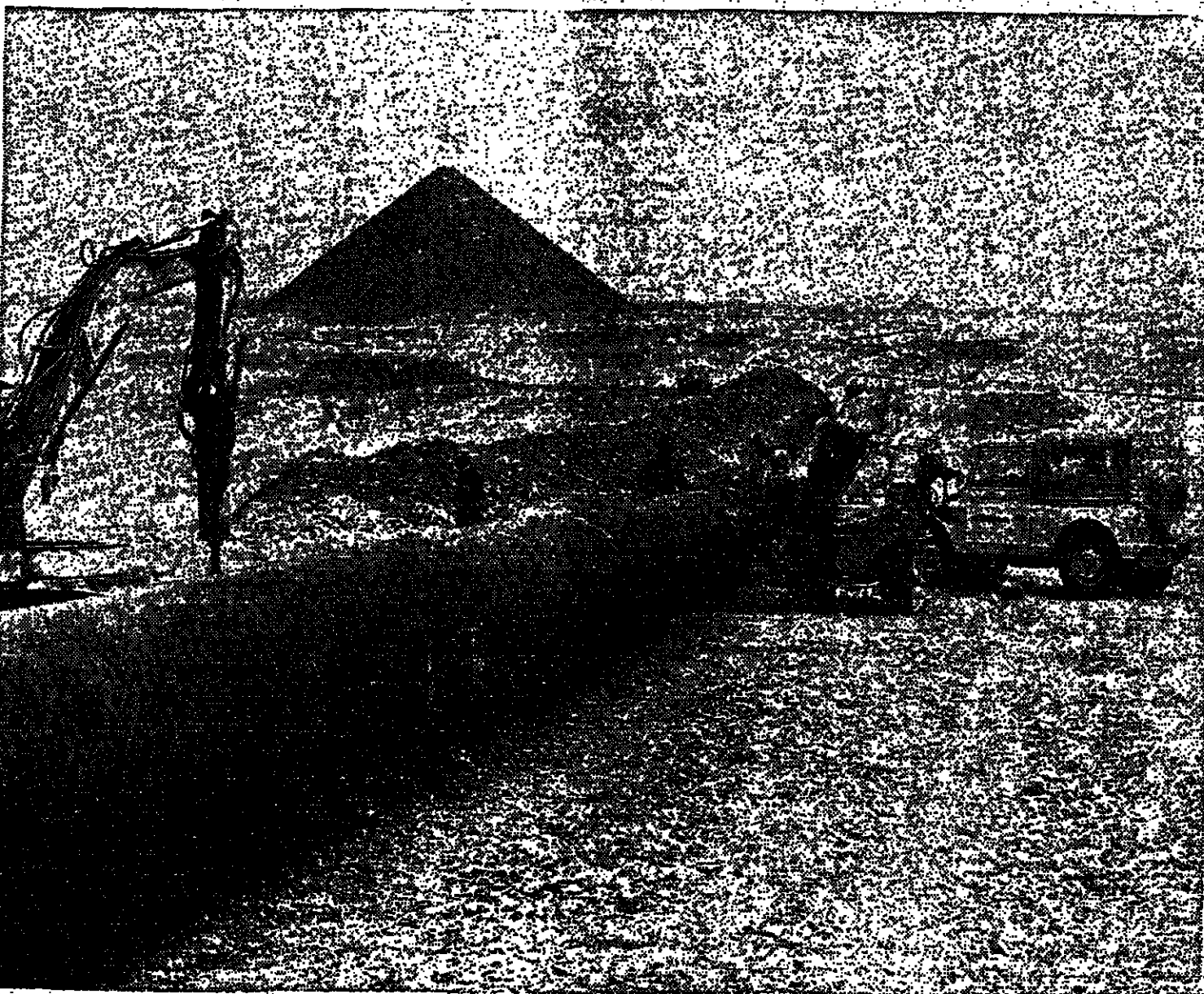


Eni

In 1976, 37% of all energy consumed in Italy was supplied by the ENI Group. If one considers only oil and natural gas consumption, the percentage rises to almost 44%. As a matter of fact, during the year the ENI companies distributed 26 billion cubic meters of natural gas

and over 31 million tons of petroleum products. Over half of the natural gas supplied by ENI came from indigenous fields while nearly 16 million tons of its crude came from Group company fields in Italy and abroad. ENI has also strengthened considerably its systems for transporting oil and natural gas: the system of domestic natural gas transmission has exceeded 13,000 kilometers in length and its tanker fleet capacity increased during 1976 by almost one million deadweight tons, rising to a total of 2,250,000 dwt. Chemical production, except for fertilizers, and textile manufacturing both increased although operations in the two sectors continued to suffer economic difficulties. Results were favorable for engineering and service activities and for mechanical manufacturing, especially abroad. On the whole in 1976 ENI produced more and the economic results were improved. The ENI Group of companies supplied goods and services for a gross revenue of \$ 11.42 billion; the value added was over \$ 3.3 billion, with a notable increase in the share of earnings representing profit. Depreciation, depletion and amortization for the year amounted to almost \$ 994 million and investments totaled more than \$ 1.25 billion.

Improved results for 1976



Three breweries exchanging 100 public houses to help marketing

By Patricia Tisdall

An exchange deal expected to involve at least 100 public houses is being negotiated among Allied Breweries, Bass Charrington and Courage, three of the country's largest breweries. The companies said at the weekend that a swap had been agreed in principle but final details had still to be worked out.

The exchange is intended to dilute each company's historical geographical concentration of public houses around its brewery sites. For instance, Bass has major trading areas in the South-west and the North-east between Newark and Tadcaster. Allied has substantial trade in the Midlands near Birmingham but a gap in Cornwall, Devon

and Dorset. Bass Charrington is stronger in Wales than it is in the Home Counties.

A more representative spread would help marketing by, for example, making use of television advertising and distribution more efficient. It would also help to counter criticism that local brewery monopolies are not in the public interest.

Only one of the three brewery participants, Courage, has previously entered a deal of this sort. In 1970, in an agreement with Truman Hanbury Buxton, Courage took over about 60 public houses in the North-west. The exchange was agreed after Truman decided to discontinue part of its operations and to close its brewery in Burton on Trent. In return Courage handed over 36 public houses in

FINANCIAL NEWS AND MARKET REPORTS

Stock markets

Pay demands still cause depression

Signs of a falling rate of inflation would, in normal circumstances, raise a buying signal for Government stocks and equities across the board. But the market is still unmoved by wage demands and the renewed violence on the Grunwick picket lines was no help for sentiment.

The FT 100 started the new account in sorry style with a 3.9 drop to 433.8, although the wholesale price index enabled gilts and shares to stage a half-hearted recovery from earlier depressed levels.

Gilts clawed back around half their earlier losses of 1.5

of 8p to 375p. Shell also lost ground at 55p while the London and Scottish Marine Oil production stocks dropped 2p to 32p.

The other major new offering, Sotheby Parke Bernet, also ran into doubts and came back by 3p to 165p in brisk dealing where the premium on the offer price is only 16p.

Bid situations made their predictable mark on the day's affairs. Hawker Siddeley, which started the day in its new form after the share split, were unchanged at 170p after the bid for L. Gardner which took the sensible precaution of asking for a suspension at 250p.

Scottish Universal Investor, which also reports later this week, was in demand following renewed speculation that Lomrho will make an outright bid and climbed 7p to 91p.

The option market was again fairly subdued. On foreign exchange contracts, the dollar was produced in a market but no price was arranged.

Options for settlement on September 27 showed calls in Berry Wiggins, Town and City, Adda International, Lincroft Kilgour, BP New and Lennons among others, while doubles were fixed in Premier Consolidated, Matthews Holdings and Berry Wiggins. Again, no price was reported.

Whitehall sorting out backlog for sector aid

By Maurice Corina, Industrial Editor

Applications for state aid for a wide range of projects are now pouring into the Department of Industry, particularly under the sector assistance schemes being operated through the tripartite industrial strategy. A queue has developed, too, for financial assistance under the Chancellor's selective investment scheme.

Nine companies have shared £4m of Whitehall aid under the Chancellor's £100m investment scheme, and this first tranche is expected to produce capital spending of £43m by the companies involved. A further 80 applications are under consideration, covering investment projects to an estimated value of £414m.

Up to £150m may be provided in the coming months for sector aid schemes. More than 500 applications have been made in the ferrous foundry sector, now closed, and some £35m of public funds has already been earmarked to help produce £165m of consequential investment.

Government officials are now busy working on the backlog of applicants for the incentives.

Early vote on Co-op merger plan

By Derek Harris

A referendum of every retail co-operative society in Britain, to decide whether a draft plan for merging their national federation, the Co-operative Union, with the £130m Co-operative Wholesale Society should go ahead, will be completed by July 25.

The referendum, an unprecedented move in recent Co-op history, was decided on at last month's annual Co-op conference after a special negotiating committee had outlined a new structure radically to reorganise the Co-op movement.

The CWS and Co-op Union would be abolished to be replaced with a single high command plus a series of regional boards. But not even the negotiating committee could reach unanimous approval of the plan.

While the big societies largely favour the idea of a single national organisation to strengthen the Co-op's hand in the High Street battle, the backing of many smaller societies is in question.

A three-quarters majority will be needed in the referendum if planning for the new organisation is to go ahead.

The market is developing a passion for high-technology stocks. And since nationalisation will take the major armsaments-based technology share out of the market, attention is focusing on the smaller companies. The possibility that the end of the "Buy America Act" could help United Kingdom exports to the US and USSR is beginning to lift Flight Refuelling and Negretti & Zambra. Watch Abbey Panels, manufacturing advanced sheet-metal assemblies for advanced industries, and M. L. Holdings, which has a reputation for aircraft and ground support.

ICI was a particularly weak counter among the leaders as the group's employees dumped shares. One jobber is reported to have completed 26 pages of small bargains as the shares dropped 8p to 392p.

Other blue chips were in scarcely better shape. Bechtel Group 4p at 48p, Metal Box were clipped back by a like amount to 310p while Distillers slumped nervously ahead of the figures with a similar drop to 138p.

The existing shares in British Petroleum were affected by fears of major delays in the Alaska pipeline after the explosion and slipped 6p to 924p and the partly-paid shares were a weak market, suffering a fall

Company		Sales		Profits		Div		Pay		Year's	
Int or Fin		£m		£m		pence		31/8		total	
Carroll (F)		7.8(5.3)		0.9(0.5)		1.35(1.23)		1/10		2.58(2.43)	
Cromie (I)		2.7(1.8)		0.115(0.108)		0.73(0.73)		—		—	
Lancaster (F)		22.3(20.7)		2.6(2.0)		7.5(6.2)		1/10		4.19(4.31)	
Lancaster (F)		22.3(20.7)		2.6(2.0)		7.5(6.2)		1/10		4.19(4.31)	
L. Latham (F)		27.4(28.4)		1.3(0.9)		5.27(4.77)		—		8.27(7.52)	
May & Hassell (F)		7.4(33.4)		1.4(1.3)		1.9(1.7)		2/4/8		2.74(2.48)	
Off & Smith (F)		2.0(1.6)		0.23(0.2)		2.05(1.64)		—		—	
Radiant Metal (F)		0.6(0.57)		0.154(0.133)		—		1.23(1.11)		1.73(1.62)	
St George's		—		—		—		—		—	
L. L. (F)		1.0(0.9)		0.015(0.045)		0.37(1.1)		—		0.42(0.56)	
Stirling (F)		2.9(2.5)		0.25(0.15)		5.23(1.75)		—		1.79(1.63)	

Steel dispute delays Redcar start

By Peter Hill, Industrial Correspondent

Commissioning of new steel-making facilities at the British Steel Corporation's complex at Redcar is being held up because of a dispute between the corporation and unions over manning levels and maintenance arrangements.

A new 3.8 million tonnes a year sinter plant on the site completed more than three months ago is still idle because of the disagreement. Talks on the issue began more than two years ago in line with the corporation's policy of achieving internationally comparable manning scales on all new plants.

Similar problems are also affecting the new coke oven complex on the site, and a pelletizing plant due to be completed later this year. All three

plants form part of the latest phase of development at Redcar, costing £140m.

The BSC wants an agreement with the unions which would involve a change in working practices on installation maintenance, and would involve workers crossing traditional craft boundaries.

BSC management was hopeful of reaching agreement earlier this year, with union recognition that new methods were necessary to ensure that the corporation became internationally competitive. However, it appears that local leaders of the Boiler-makers Society, whose members would be the main workforce, are not prepared to accept the proposed changes have so far refused to support the plan.

Bristol Post steps off smartly

By Ashley Druker

Having more than recouped the fall in the previous year with a rise of 46 per cent in 1976-77, Bristol Post is now stepping off in the right direction in the present term to March 31, 1978. Mr. Andrew Breach, chairman, in this connection reports that results for the opening three months of the current year give an "encouraging" start compared with those of 1976-77.

This was achieved against continuing rise in costs, inflationary pressures were contained, while increased demand for advertising space provided the stimulus to the revival in profits.

A breakdown shows that newspaper publishing and printing provided the bulk of profits with a return of £1.5m against £784,000 on turnover up from £8.3m to £9.5m. But retail earnings, from £199,000 to £199,000, fell over increased from £4.4m to £5.3m. The features agency and general printing both increased their contribution, but transport and vehicle repair were steady at £24,000 profit on turnover up from £730,000 to £848,000.

Mr. Breach also refers to the substantial amount for goodwill which has appeared in previous accounts. This had become somewhat meaningless.

Export boost in glasswares help spark Crown House rally

By Alison Mitchell

A second-half improvement, particularly in the glassware division, helped boost the pre-tax profits of engineering-property development group Crown House, to a record £2.6m. This was an increase of 23 per cent on the previous 12 months, and comes on the back of turnover up from £62.8m to £76.9m for the year to March 31. Earnings a share improved from 6.2p to 7.5p.

For shareholders there is a final dividend of 4.3p gross giving a maximum permitted total for the year of 6.46p. There will also be a two-for-one share split.

More than doubled exports accounted for much of the improvement on the glassware side. Sales increased by around 40 per cent, and this division now accounts for almost a third of total profits.

The largest division, electrical and mechanical engineering services, increased pre-tax profit by just over £400,000 last year with almost half of this improvement coming from a faster rate of contribution from the Middle East.



Mr. Patrick Edge-Partridge, chairman of Crown House.

The group was recently awarded a two-year £9.5m contract in Dubai, but Mr. Patrick Edge-Partridge, the chairman, says profits from this deal will not show through until the next financial year, 1978-79.

At home, order books in the current year are "buoyant". But with increased competition contracts are beginning to tighten up. Taking the group as a whole, he forecasts "further improvement" at the year-end.

The lack of completion in property development kept profits down in this sector, but this was offset to some extent by an improvement in office staff services.

New Crown subsidiary, Anglo-International Hotels, which owns the Holiday Inn at Gibraltar, continues to make a loss.

In October Crown bought out its two partners in the company leaving it with total attributable losses for the year of £54,000.

Business appointments

Associated Biscuit elect new chief

Dr Keith Bright has been elected to the new post of group chief executive of Associated Biscuit Manufacturers.

Mr Geoffrey Leigh has become deputy chairman of Allied London Properties.

Mr Tom Gray has joined the board of AWS Delta as managing director.

Mr Frank Knowles, an executive consultant with Knight, Frank & Rutley, has been elected president of the Royal Institution of Chartered Surveyors.

Lord Thomas of Remenham has been appointed chairman and Mr James Burgess, joint managing director of S. & D. (Engineering), Mr S. L. Reynolds continues as joint managing director.

Mr John Rothery has been made a director of EMI (Australia).

Mr J. J. Sisco joins the board of Tenneco Inc.

Dr Peter Grey has become a director of George Wimpey ME and C.

Mr Gonzalo de las Heras has been made senior vice-president in charge of the international relations and overseas branches division of Banco Urquijo S.A.

Mr Patrick Healey becomes a vice-president of Banco Urquijo.

The following have been appointed to the board of Antony Gibbs & Sons: Mr Douglas Highton (chairman); Mr Michael Brookes; Mr Jeremy Gibbs (chairman); Mr Robert Foster; Mr Bernard Jones and Mr Harry Kinloch have resigned.

Mr Philip Fenwick Elliott has joined the partnership of Knight, Frank & Rutley.

Dr A. J. P. Sabherwal, managing director of Ashworth Cement, is a subsidiary of Turner & Newall India, has been appointed joint managing director of its United Kingdom subsidiary, TAC Construction Materials, from November.

Mr Michael Reeve and Mr Michael Hobson have been elected directors of Rex Brothers.

Mr Arthur Katz has been appointed chairman of the Metro Company.

Peak in mainframe systems now passed

Computer news

The peak in numbers of mainframe computers installed in the United Kingdom has passed, according to the 1976 computer census published by Padder Associates, Kingston, upon Thames. Numbers rose from 4,938 at the end of 1975, and then declined to 4,737 by the end of 1976.

These totals include manufacturers' in-house systems as well as users' installations. It is the former maintenance systems, typically costing less than £150,000, that are bearing the brunt of the attack by competing alternatives, the Padder report comments.

These alternatives are smaller, stand-alone, microcomputer-based computer systems, programmable terminals linked to a large central mainframe, and service bureaux.

At the top end of the mainframe market, Padder reports, "the big systems are getting bigger". The future of mainframes is likely to be governed more by the technical and economic evolution of data communications than by any other single factor.

Including manufacturers' own systems, the market leaders are IBM (37.9 per cent by value), ICL (37.2 per cent), and Honeywell (7.9 per cent).

Excluding the manufacturers' systems, the order is changed. IBM (37.4 per cent) and Honeywell (8.2 per cent).

The total value of mainframe installations is given as £1,604,428,000, of which £1,075,653,000 represents manufacturers' in-house systems.

Four other categories are included in the Padder census. They are microcomputers, small business computers, visible record computers, and processor-controlled data-entry terminals, and other special purpose systems.

A total of 16,441 microcomputers systems worth £296,364,000 is recorded in terms of value of users' installations. The leading manufacturers are Digital Equipment (24.8 per cent), GEC (19.9 per cent), and Ferranti (11.6 per cent).

The number of small business computers installed at the end of 1976 was 22,000, of which 12,000 were IBM, 10,000 were GEC, and 1,000 were Ferranti.

Value of user installations in this category was £190,815,000, of which ICL held 33.5 per cent, Burroughs 24.5 per cent, and NCR 9.2 per cent.

Of the 9,445 visible record computers worth £37,938,000

Computer news

installed at the end of 1976, the leading market share (by value) included Burroughs 26.7 per cent, NCR 18.6 per cent, and Philips 17.2 per cent.

Other totals include: 1,859 processor-controlled data-entry systems (users' installations value £68,519,000); 16,435 processor-controlled terminal systems (£92,045,000); and 252 other processor-controlled special-purpose systems (£24,866,000).

The National Computing Centre's direct support from the Department of Industry amounted to £914,830 in the year ending March 31, 1977, the centre's annual report discloses.

The grant-in-aid funding has now ceased, and the centre is obtaining support for specific projects from the DoI Computer Systems and Electronics Requirements Board.

The report says 58 projects totalling £1.7m over three years have been negotiated with the board.

Other sources of income in 1976-77 included fees from courses and lectures, £309,296; sales of programs, information and advice, £452,570; development contracts, £138,776; and membership subscriptions, £130,001.

An after-tax deficit of about £20,000 is reported by the centre; it is planned to convert this to a surplus in 1977-78, the report says.

During the year 243 new members were recruited, bringing the total membership to 1,746.

The centre responded to the social problem created by unemployed school leavers with the launch of the NCC data processing Threshold scheme, supported by the Training Services Agency and NCC member-firms.

This scheme enables up to 350 young people to take part in a ten-month programme of training and on-the-job training in data processing.

The centre's advisory services have continued to concentrate on helping the first-time computer user, but specialist activities have also emerged.

Kenneth Owen

Briefly

Jackson's o-t-c trading likely to start at 40p

Jackson Group, the East Anglian construction firm, marks its silver jubilee this week by changing its status from a private company to a public one. Trading in the 10p shares is expected to start at the 40p to 50p range, giving shareholders a 100 per cent increase in value.

The shares will be traded on the "over-the-counter" market, but less than half the equity is being released for the public, so ensuring that control and management continues unchanged. The company has changed from private to public, but the management remains the same.

Forecast at not less than £462,000 for 1977, compared with £399,000 last year. Ordinary dividends of not less than 3.25p net (5p gross) are also predicted.

REO STAKES PAYS £2.5m

REO is acquiring the D. & A. Hadow chain of off-licences in Central Scotland as well as three public houses and a wholesale business worth £2.5m of which £1.5m is cash.

MONTREAL'S SEVEN LOAN Montreal Urban Community is arranging a \$300m seven-year loan in Europe through an international banking syndicate, headed by Chase Manhattan Bank. The loan is expected to carry interest rate of 12.5 per cent over London inter-bank offered rate in first four years.

ATOMIC PETROLEUM The shares of Atomic Petroleum are not to be suspended until July 26, and then only temporarily. The board is seeking shareholdings of 50 per cent in the Atomic Oil subsidiary. We have recently stated in Saturday's issue that the shares had already been suspended.

ATOMIC PETROLEUM Turnover for half-year, to May 31, £1.1m (£9.8m). Pre-tax profit £211,000 (£80,000). Interim dividend 0.64p gross (0.60p).

International

Bosch pins hopes on diesel units

Leading maker of car components and electrical goods Robert Bosch GMBH reports net profits for 1976 soaring 63.5 per cent to DM222.3m. The company's sales rose 14.3 per cent to DM6,319m, the company stated in Stuttgart.

Sales in the first-half of the current year are up 12 per cent but this rate of increase is expected to slow down in the latter half. Overall sales for 1977 should rise by about 3 per cent.

Generally prospects for mechanical goods are "good" even if car production flattens out as expected. Meanwhile, the proportionate growth in diesel car production ensures continued increased sales of diesel fuel injectors.

To keep pace with the projected growth, the group has already authorized some DM460m capital spending for 1978, about half of this for capacity expansion. The company has DM500m for 1977.

AP-DJ.

Thomson raises stake

The French Thomson-Brandt Group is now the biggest single shareholder of Swiss Telecom des Telephones Ericsson with 38.3 per cent of the equity. It follows the successful conclusion of an offer involving the exchange of nine SFTE shares for two shares of Le Matrelec Telephonique. Before this offer, Thomson owned 16 per cent of SFTE.

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Oerlikon denial

Oerlikon-Buehler Holding AG, a Swiss company, has denied a Zurich press report suggesting that the Swiss arms manufacturer would buy a controlling interest in the Bally shoe group. Oerlikon said it had never been actively interested in C. F. Bally AG, nor has it been approached by Herr Werner Key, who controls that company through his firm, Syndicates AG.

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REED INTERNATIONAL LIMITED

Review by Alex Jarratt Chairman and Chief Executive from the Reed International Annual Report for the year ended 31 March 1977



Economic recovery in the United Kingdom has been, and still is, painfully slow and was attended by major financial instability in the first half of the year and by a dangerously high rate of inflation thereafter. Little relief was to be found, however, from the other markets in which we operate. With the exception of Australia, where there was a limited recovery, trading conditions have been poor and the pressure on margins considerable. Against this background, the doubling of the Company's pre-tax profits is a creditable performance.

I wish to acknowledge the quality of the achievement of my colleagues throughout the Company at all levels, individually and collectively, and express my appreciation to them.

The trading profit of the UK divisions and their associated companies last year was slightly more than the trading profit of the whole of Reed International in 1976/77, and the proportion of trading profit derived from our UK operations was greater despite the important addition of Reed Nampak's profits to our overseas results.

This marked improvement in our UK performance is the result of early recognition of the major change of economic circumstances in which we have had to operate and a determination to re-organise our cost structures and marketing strategies accordingly. This has required, in some cases, the cutting out of inefficient capacity with a resultant loss of jobs; but it has also required new technology and new investment which, in turn, will create greater job security for the future.

Such new investment – and more is planned for this year – is in marked contrast to the picture often painted by ill-informed critics of British industry generally. As recent evidence has shown, industry is investing on a rapidly increasing scale; it is taking high, if carefully calculated, risks in doing so in anticipation of growth potential ahead. International comparisons show that UK investment levels are not, and have not been, the problem. It is in the way that investment has been used, in the results from its application, that our record compares so poorly. This is why the measures we have been taking to improve the efficiency of our present operations are as important as the provision of new facilities. The much improved profits from publishing, for example, and the improvements in volume and margin through lower break-even levels in paper making are both the result of the more efficient use of existing resources and skills, a process that has taken several years to achieve in some cases.

The effective involvement of everyone who works in industry is essential for securing improvements of this kind. The climate within which business operates can, and must be, changed. But involvement for its own sake is too limited an objective. We need involvement with a specific purpose in mind, namely, improved understanding and greater co-operation in producing a more efficient, more competitive, more profitable British industry.

We, in Reed International, are committed to effective involvement. Its operation and stage of development varies considerably as between different parts of the organisation. Progress by Divisions and their subsidiaries in ways best suited to their particular needs and opportunities, will be a continuing activity of major importance for the future well-being of our company and for every member of its staff, whatever their job.

That is why my management colleagues and I are unanimous in our opposition to any legislation based upon the Majority Report of the Bullock Committee of Inquiry on Industrial Democracy. The Majority recommendations are not about participation but about power; they are about dividing not unifying British industry; about an alleged 'democracy' which, for example, effectively disenfranchises over a third of our UK workforce, virtually all UK managers, and everyone working for Reed International overseas. The future of this Company and the future of this country are too important to be set recklessly at risk by such ill-conceived proposals. They must be resisted and made to yield to more sensible and realistic measures.

The more immediate problem facing British industry, however, is still that of inflation. The rate has halved compared with the worst excesses of 1974/75, but it remains at least twice that of our major international competitors. Two phases of incomes policy have contributed to this relative improvement; but the resulting squeeze on real incomes and differentials combined with punitive levels of taxation have impacted most harshly on those on whom we rely to pursue industrial recovery. Whatever else may be the outcome of the present discussions between the Government and the TUC on Phase II, the ability to reward properly those who carry the responsibility and to let them keep more of what they earn should have the highest priority.

The core of our inflationary problem is not to be found in the rewards of those who contribute effectively to the creation of the nation's wealth. It is to be found instead in the ways in which that wealth has been squandered in the unrelenting equalisation of reward and benefits for all irrespective of individual contribution and in the burgeoning weight and inefficiency of public sector spending. Until these are tackled, and certainly tackled more rigorously than now, inflation will remain with us.

The effects on companies such as ours are clearly apparent. Returns are less than they were ten years ago and in 1975 they were actually negative. We are not alone in this. It is the low level of real return throughout British industry that has led the CBI to call for an entirely new strategy based on a competitive market economy and a more stable Government/industry relationship rather than the stifling controls and policy vagaries we have endured for so long. Certainly the continuation of price and profit margin controls will contribute nothing to this; on the contrary, they will add to uncertainty and limit the resources available to industry to provide the investment and jobs that the advocates of price control claim they also wish to see.

However, it would be unfair to attribute all our problems to government in this country, though the environment in which our UK operations are conducted inevitably conditions a large part of our fortunes. But other environments are also important for us. The performance of our Canadian subsidiary, Reed Paper, has been the major disappointment of the year, being a combination of a weak home economy, continuing uncertainty in world pulp and paper markets, prolonged strikes at each of our mills and insufficient rigour in management response. Major steps are now being taken to bring the situation under closer control and, in particular, to restrain the use of additional capital in the business. Much of the capital that has been invested in Canada relates to environmental matters and, therefore, contributes nothing to earnings. It is, instead a practical recognition by Reed Paper of its responsibility for overcoming the hazards associated with its pulping operations some of which were not fully understood, nor closely regulated, only a few years ago.

The South African economy is also in recession and this has affected significantly the markets for the products of our new pulp and paper mill at Stanger, near Durban. This uses, for the first time in that country, the fibre from sugar cane as its raw material. After some start-up troubles we now know that we have a sound mill, but our ability to maximise its potential will inevitably be constrained until the economy improves. Meanwhile, our recently acquired packaging company, Reed Nampak, has performed excellently and has already made an important contribution to our overseas profits.

The Australian economy showed some limited recovery during the year and our subsidiary took advantage of it, particularly in building products. A pleasing feature has been the development, after several years of difficult preparatory work, shown by our world-wide irrigation company that is based in Australia.

With the acquisition of the De Hoop packaging business in 1976 we have increased our total investment in Holland to the level at which it vies with Australia and South Africa. The Dutch economy has also been in recession, but we are confident that our operations in that country will be an important springboard for future expansion on the Continent.

The process of re-organisation and reconstruction that has contributed to our much improved results in 1976/77 is far from complete. That which has already been achieved should of itself ensure further progress in the current year. But closer examination, both of our level of earnings and of our capital structure, shows that much more needs to be done to improve the real return on our assets and to reduce proportionately the Company's dependence on debt rather than equity. The action required here is to shift resources away from those areas where we have insufficient market strength or penetration and also from those areas where we can perceive a deteriorating structural change in demand for the products concerned; and to concentrate our capital and our management in those areas where we have good and continuing markets, proven skills and an improving track record.

We have given much thought to this during the last year and I have been considerably helped in this by the strengthening of the corporate centre of the company at both Board and staff director levels. In consequence, we are now following a consistent and viable strategy rather than relying too heavily upon opportunism to see us through the uncertainties of modern industrial life.

Principal activities

Reed International Limited is a company based in the United Kingdom holding world-wide interests and investments in some 40 countries.

The principal activities of the companies within Reed International are pulp and lumber, waste paper, paper and board, packaging and stationery manufacturing and conversion; the production and marketing of decorative products including wallcoverings, paint, and 'do-it-yourself' home improvement products; the printing and publishing of newspapers, consumer and business magazines, books, business directories and general printing; and the manufacturing and marketing of building products including plastic pipes, guttering and fittings, irrigation products, baths, ceramic sanitaryware and tiles.

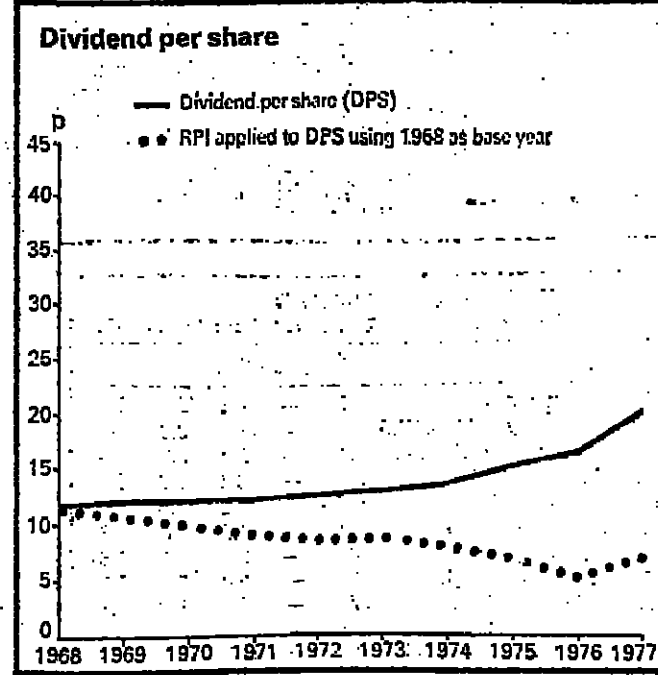
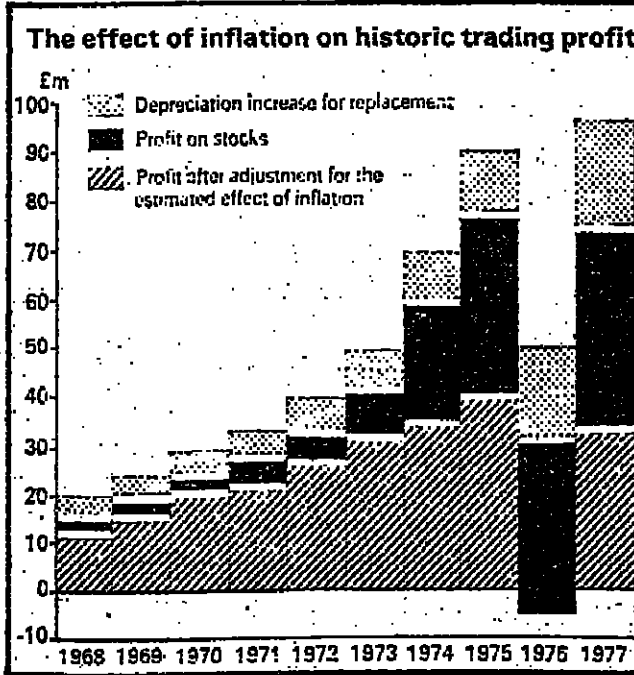
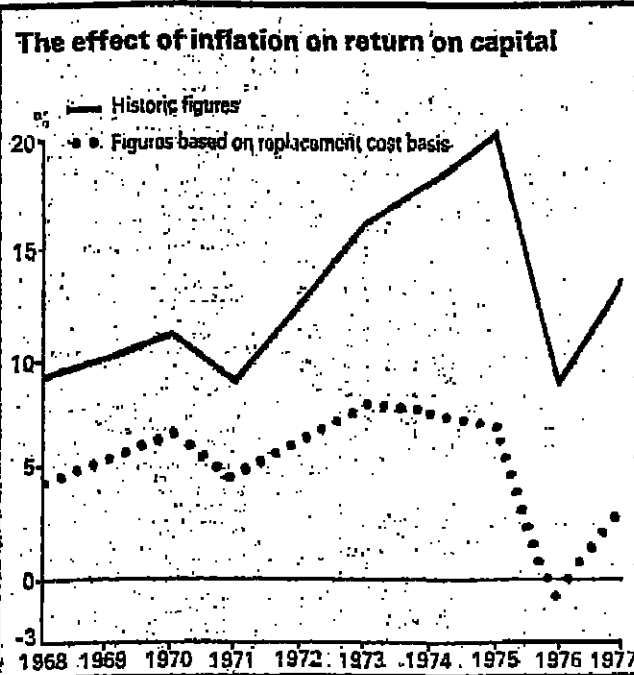
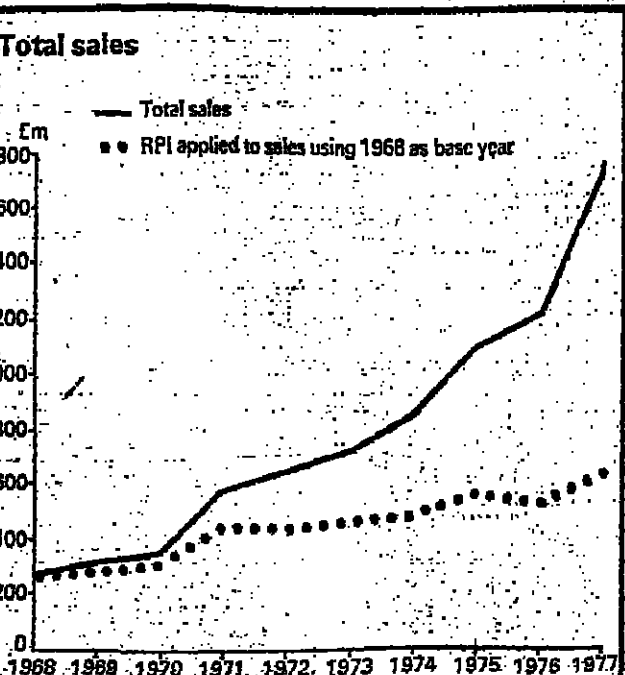
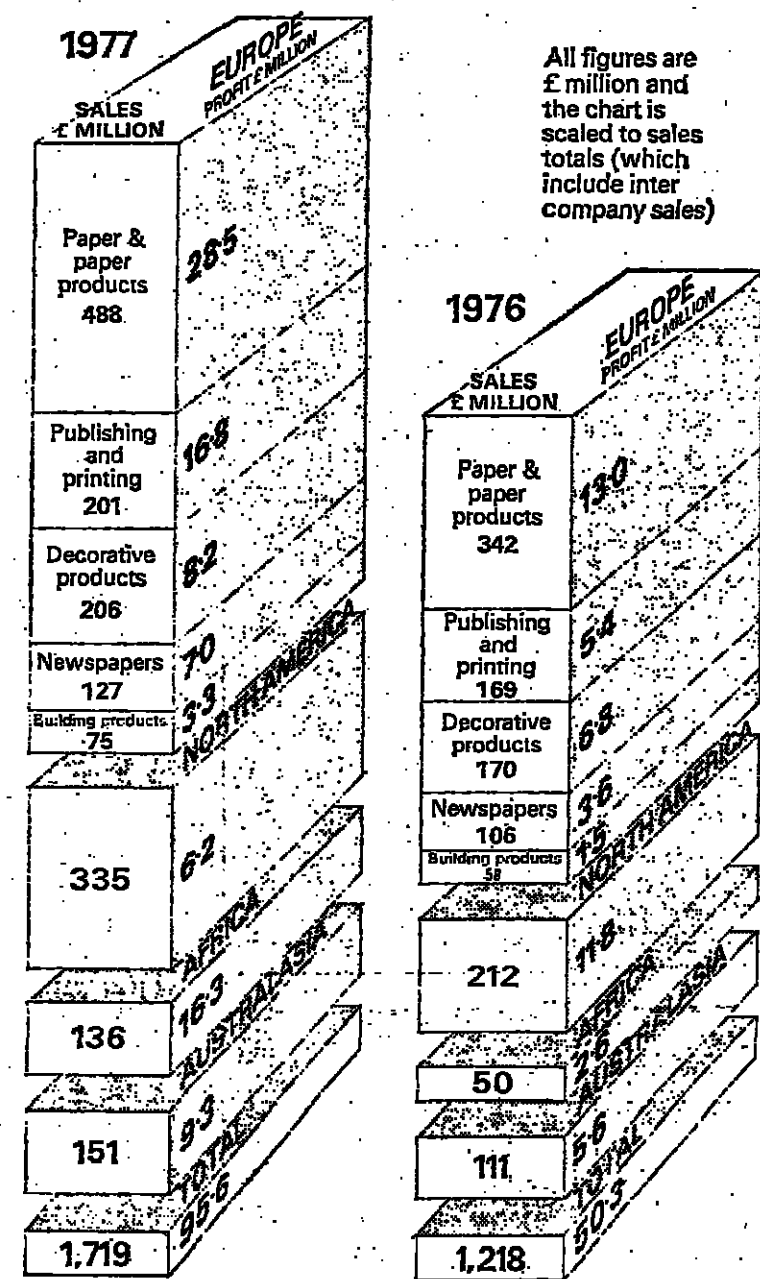
The companies carrying on these activities in Europe are grouped into five divisions, Reed Group (paper and packaging), Wall Paper Manufacturers, Mirror Group Newspapers, International Publishing Corporation and Reed Building Products.

Outside Europe, the companies engaged in these activities are mainly grouped into three further divisions, based in Australia, Canada and South Africa.

Financial Highlights

	1977 £m.	1976 £m.
Sales United Kingdom	798	647
Sales Overseas	690	416
Sales Total (excluding inter company sales)	1,488	1,063
Trading Profit	96	50
Share of Profits of Associated Companies	14	11
Interest Payable (net)	35	24
Profit before Taxation	75	37
Profit after Taxation	34	16
Dividends paid and proposed	15	10
Capital Employed	916	737
Capital Expenditure	65	54
Earnings per Ordinary Share	25.8p	14.0p
Dividends per Ordinary Share: Amount paid	13.0p	11.1p
With tax credit	20.0p	17.0p
	Thousands	
Shareholders	76	79
Employees	86	87

Analysis of sales and trading profits



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Stock Exchange Prices

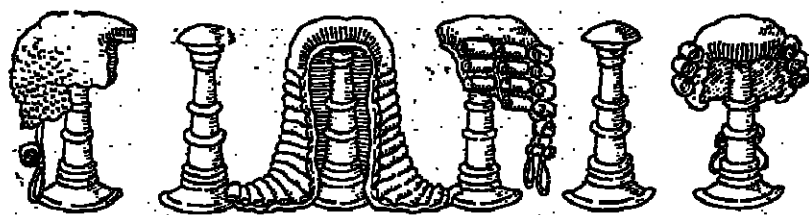
Weak start to account

ACCOUNT DAYS: Dealings Began, July 11. Dealings End, July 22. Contango Day, July 25. Settlement Day, Aug 2

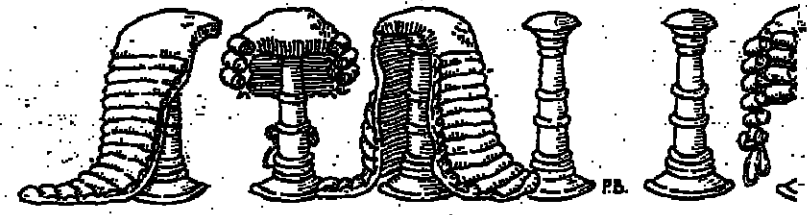
§ Forward bargains are permitted on two previous days

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SCOTCH WHISKY
"Afore ye go"

[illegible]



Legal appointments



Commercial Lawyers International Industrial Group

Two Midlands based appointments, one resulting from promotion, are being made to the corporate legal team of a world renowned British Group; they will appeal to solicitors or barristers seeking a career move which will provide broadening responsibility.

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The senior appointment, reference A.62955/A, carrying a starting salary negotiable from £7,000 to £8,000, calls for at least three years' experience of commercial legal work in industry or private practice. Preferred age late twenties/early thirties.

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Laying down the law

A recent seminar on the role of lawyers in the public service organized by Birmingham University's Institute of Judicial Administration had a great deal of criticism to make about the content of legal education. Law degree courses at the universities and polytechnics, it was said, were geared almost entirely to the future private practitioner, whether barrister or solicitor, and paid little attention to the needs of a law student who might want to go into the public legal service and become a lawyer in central or local government or in the administration of justice. That preoccupation with the practising profession might have been appropriate more than a decade ago, when 90 per cent of law students getting their degrees eventually went into practice, but was no longer required today, when only six out of 10 successful graduates did so.

To some extent, the content of existing degree courses is determined by the need to include certain "core" subjects, on the insistence of the educational bodies representing the two branches of the legal profession who, in the absence of passes in those subjects, would not accept a student for the professional examinations. But, as was pointed out at the seminar, these core subjects amounted to only six out of the 15 or more subjects which comprise a three-year degree course. The universities and polytechnics were blamed for not making more imaginative, flexible, and wider-ranging use of the remainder. A minority of them do, in fact, but many remain content merely to fill out the syllabus with

other subjects of relevance to future practice, but of little use or interest to the student who might want to do other kinds of legal work after qualifying. Professor Patrick McAuslan, of the University of Warwick, the principal critical voice at the seminar, claimed that English law schools had failed lamentably to educate lawyers to understand the policy aspects of the law, which were particularly important to a lawyer in government or local authority service. There should be much more policy-oriented teaching, he said. Instead of students learning merely what the law said, and what was on the statute books, more should be taught on the function of the law in solving social problems, and on the decision-making role of lawyers. But it was not enough just to provide one or two courses on legal policy, he went on. What was needed was an entirely new approach to legal education, and more integrated inter-professional courses which would include legal issues as one of a number of elements of a subject.

To help the potential lawyer in public service, Professor McAuslan called for more joint appointments with people holding public legal office acting as lecturers at the same time. That would mean that students would be taught by people who were actually performing the kind of work they were lecturing about, rather than by academics who might know a great deal about the subject in theory, but had no experience of the practice. There should also be greater willingness by law schools and the public legal service to allow reciprocal secondments and leaves of absence, he felt. Whatever reservations

Marcel Berlins

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But the growth of this massive power base will be in doubt when the oil finally begins to run out. Quite

when that will be, is another question; there are hopes that current exploration will prove more substantial reserves, extending the present estimated life of the oilfields (60 to 70 years).

This is what focuses attention on the signs now emerging of Kuwait developing an advanced capital market. That, with the consequent growth in skill of those operating in the markets, could

continued on page 11

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FOCUS ON

DEFENCE

Arms purchases hint at wish to keep Western links

by Henry Stanhope

Sheikh Saad al-Abdullah al-Salem al-Sabah, Interior and Defence Minister, arrived in Britain towards the end of May amid reports that his country is prepared to spend up to \$800m on arms for the Kuwaiti Armed Forces. He left a week later with between \$100m and \$150m of this apparently destined for Vespers Thornycroft in exchange for 10 fast patrol boats—enough to increase the size of Kuwait's tiny navy by a third.

Negotiations between Kuwait and the British ship-building company have been continuing for some time and the resulting deal, assuming that it is completed, is not all that surprising. More startling, perhaps, was the size of the contract which indicates that the boats modelled partly on the 165-ton Teacup now serving the Royal Navy as a fishery protection vessel, will add considerable flair to the Gulf.

Other possible items on the Kuwaiti shopping list are 150 Chieftain main battle tanks, in addition to the 150 which were ordered last year, surface-to-air and air-to-surface missiles and even hovercraft—although some of the missiles at least may come from other Western suppliers. How far Kuwaiti

plans may be affected by President Carter's more stringent arms sales policy has yet to be determined.

But this latest programme for improving the range and advancement of Kuwaiti weapons is by no means isolated. It follows hard upon two previous, even larger, sums which were allocated to the Defence Ministry last year and is surrounded by conflicting rumours of arms buying policy.

Traditionally the country has equipped its forces from Western sources, primarily British but with American and French involvement as well. The International Institute for Strategic Studies in The Military Balance 1976-77 credited the 8,500-strong army with 50 Vickers and 50 Centurion tanks, 50 Saab armoured cars, 130 Scania armoured personnel carriers, 20 Ferret scout cars, 10 25-pounder guns and 20 French AMX 155mm howitzers.

The 1,000-strong air force showed similar British bias. It includes Hunters, Strikemasters, Jet Provosts, and Anglo-French Gazelle and Puma helicopters. But 20 Mirage F-1s, 36 A-4s and a number of American Hawk anti-aircraft missiles are on order. The existing navy, basically a coastguard force of 12 inshore patrol boats and 16 patrol launches, is almost entirely British with a strong Vespers Thornycroft interest.

Military service of 18 months helps to supply the 9,800 servicemen. But the defence budget of \$230m, as

listed by The Military Balance, should show a significant increase during the next 12 months if all reported Kuwaiti plans are realized.

The present wave of arms prospecting in the West is of particular interest because of growing Kuwaiti overtures to the Soviet Union. Only last April, the Kuwaiti press recorded the purchase of Sam-7 anti-aircraft missiles from the Russians after lengthy negotiations between the two countries. Last year the Defence Ministry led a delegation of 25 officers to the Soviet Union to discuss possible arrangements.

An invitation extended to Russia

Reports of Kuwaiti interest in establishing commercial links with the Russians have circulated inside and outside the Gulf for some time. These have included an invitation to the Soviet Union to establish a defence college and even an arms manufacturing industry in Kuwait, in addition to the training of Kuwaiti officers and technicians in Moscow.

The latest reported deal, over Sam-7s, is said to be worth about \$120m and to involve the training of 250 Kuwaitis in the Soviet Union. It is also said to

have irritated both the Saudi Arabians and the Egyptians—whose own inclinations have been to move from East to West rather than the other way round in their arms procurement policies—although the Egyptians have reasons of their own for doing so (the reasons are not entirely of their own making, anyway).

How seriously the West should regard this Kuwaiti flirtation with the Russians is difficult to assess. Kuwait's anxiety to preserve at least the appearance of non-alignment would seem to justify this willingness to consider defence links with both East and West. Moreover, the Kuwaitis have always been expert at haggling. Their eventual decision, last year to order Chieftain tanks from Britain was preceded by protracted talks with the French and the Americans, in an attempt to secure a favourable deal.

On the other hand, non-alignment is a difficult policy to pursue in the purchase of arms. For one thing an assortment of equipment from a variety of countries complicates problems of supply and maintenance. For another it involves a mix of military doctrines. Observers have cast doubts upon the success of President Sadat in trying to remove the Soviet bias in the Egyptian Armed Forces and replace this with a pro-Western outlook. As most new weapons supplied to Third World countries require training in

their use, one is likely to end up with an armed force which is half-Soviet and, say, half-British-trained.

There are also political complications, particularly in Kuwait with its uneasy relationship with the Ba'athist regime in Iraq. While it makes commercial sense to explore the Soviet arms offering, it might not make so much political, or even military sense to move from one camp into the other, or even to walk a zig-zag path between the two. Although Kuwait officially likes to portray itself as the principal enemy, its Armed Forces are designed more for self-defence than for offensive operations further West.

This background of East-West approaches, however, explains the particular interest which attaches to the Defence Ministry's recent visit to Britain and his impending talks elsewhere. The conclusion which must be drawn is that Kuwait, for all its Soviet interest, is still anxious to preserve its Western links and indeed the Western character of its Armed Forces. Given the peculiar policy of the Gulf and the overwhelming interest of the West in regional stability there, the significance of last month's arms talks in Britain stretches beyond the resulting share of petrodollars that will aid Britain's balance of payments.

The author is Defence Correspondent, The Times.

New role as the Zurich of the Arab world

continued from page 1

be the key to settling Kuwait's future as a top-rank financial and business centre.

The country is still passing through a phase of developing an adequate range of regulators for the markets and the economy. With the oil wealth spread more widely and deeply through, at any rate, the native Kuwaiti population compared with any other Arab oil producing country, it is not easy to wean some investors away from looking for simple profits in shares or property speculation.

There can be little argument that there are very considerable funds in private hands in Kuwait. About 15 powerful families and some 5,000 merchants dominate the commercial life of the city.

There is one popular estimate that in addition to official Kuwait holdings abroad, private Kuwaiti investors own some \$3,000m worth of foreign assets. That would bring Kuwait's total foreign assets up to about \$12,000m.

Such activities abroad, including equity investment and property holdings, represent only the top layer among Kuwaiti investors. Many more are active locally, typically buying and selling land or trading in shares on the stock market.

The richer among them—those with the "long breath" as energetic property developers sometimes caustically describe them—may keep land undeveloped for considerable periods, waiting for land price inflation (up to 200 per cent in two years has been known) to bring in uncomplicated profits.

One thoughtful Kuwaiti described the triangle of foreign investment, Kuwait stocks and local property dealing as "largely a game of cat and mouse". He was caustic, but not entirely wrong. The issue of those older Kuwaitis, heirs to a long and solid tradition of trading and dealing, who have not allowed the effects of oil to change the country to go to their heads.

This man keeps a London flat and travels extensively. He invests abroad as well as locally where he twists the switch between property and shares according to the best profit prospects.

He did not seem to be alone in thinking that some Middle East political flare-ups could influence the amount of investment money moving out of the country.

This deep-rooted tradition of trading and dealing is the Kuwaiti strength. But if the business and financial structure is to measure the country's institutional strength it will have to become increasingly complex and more regulated as well as more able to tap the power of Kuwait's private wealth. What is encouraging is

the way Kuwait has already moved in this direction lately with an acceleration of the pace of change. The immense number of government and private sector construction projects, with the central business districts particularly being transformed by the erection of modern office blocks and a series of enclosed air-conditioned shopping malls, is merely an outward sign of such changes.

What is important is the way the capital market is developing. A straitjacket on interest rates had been imposed by the khoranic usury laws with the rate stuck at the beyond 7 per cent, although the commercial banks have been able to add handling charges which effectively brought the rate to about 8½ per cent.

Kuwait's Central Bank, of which the Bank of England is the British equivalent, now has the power to fix interest rates, according to market conditions. This now varies from 7 per cent to 10 per cent according to the type of loan, with minimum deposit rate a half per cent up to 4.5 per cent.

Step towards goal of fiscal reform

The bank, a long-time proponent of interest rate flexibility, obviously sees the scrapping of the ceiling as a big step towards the goal of fiscal reform.

But the bank's governor, Mr. Hamza Abbas Hussein, is also a believer in government regulators for liquidity. In the past there have been bouts of liquidity shortages and periodic difficulty in funding long-term loans. Because the Government has had no need to raise money in the markets, there is no glitchee money.

There is no equivalent of Treasury bills to increase liquidity, but it looks likely that certificates of deposit will be brought in soon. In the past, the Central Bank has when liquidity has been a problem, issued government deposits and it also opened a rediscount window for commercial bills.

There was a striking growth during the past year in the number and value of international bonds denominated in Kuwaiti dinars. By the end of the year this figure reached the equivalent of \$1,000m compared with the total of all international bond issues of about \$30,000m.

The other notable comparison is that the total for all non-dollar denominated bonds was worth \$14,000m. A significant tool that should encourage the market in Kuwaiti dinars is the introduction of denominated bonds, as well as leading to a secondary market in Kuwait which could bring in non-Kuwaiti investors, is the

creation of a market-maker for bonds—the Aram Company for Trading Securities (ACTS).

This has been set up by the private sector Kuwait International Investment Company (KIIC), which has a majority stake in ACTS, and the Industrial Bank of Kuwait, which had already played a leading part in the development of the bond market.

Regulation of bourse is welcomed

Mr. Hikmat Nashashibi, KIIC's manager, said that after only three weeks in operation turnover at ACTS was impressive. In the first week alone it ran at \$15m. Like many local bankers, Mr. Nashashibi feels that the local capital market must develop if Kuwait is to secure an "in to out" or capital providing centre. This is why moves to regulate the operations of the Kuwait

stock market, long an informal one which now has an integrated trading floor (temporarily housed but with a new building planned) have been welcomed.

A Securities Steering Committee is working on ways to regulate the exchange which, although only 34 companies are quoted, has sometimes equalled London's daily turnover. Share prices more than doubled last year, the boom fading towards the year's end with a fall in the market by May of 16.8 per cent.

Mr. Nashashibi is convinced that Kuwait has a logical role as an important financial centre for the Arab world. Bahrain, with its offshore banking that has attracted so many international banks, he describes as an "in to out" or capital transfer centre. Kuwait, with its money resources, he describes as an "in to out" or capital providing centre. There are thus complementary rather than competitive

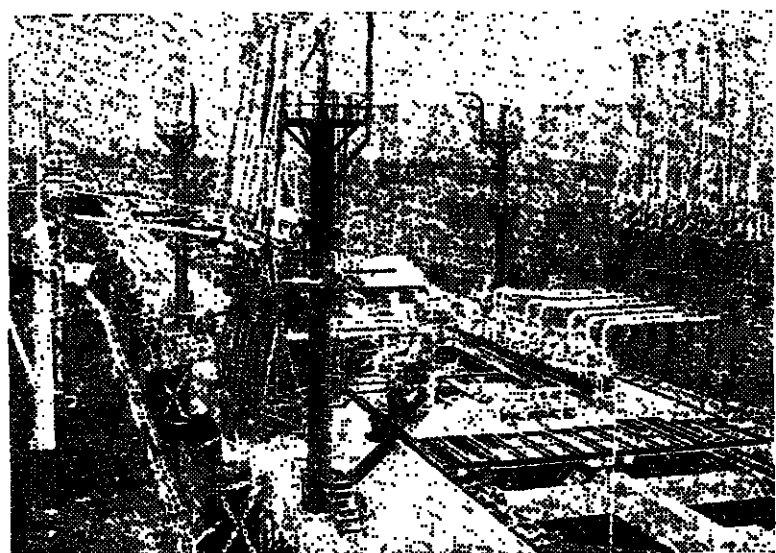
functions involved.

If such an analysis stands the test of time, and if Kuwait can continue to develop its capital markets and support skills, a city known only for its power in oil riches could build a new reputation as a centre of Middle East business affairs.

But perhaps what is most needed at present is the development of complete self-sufficiency in the whole business and financial community so that the Government does not, as has happened in the past, in the end have to bail out projects or institutions or even investors.

Mr. Aly Moussa, director of general planning at the Ministry of Planning, remarked: "The economy should not now rely so solidly on government and public sector initiatives. We think our economic institutions are now moving into manhood and must take their own resources. They should look to government now as a parent perhaps but no longer as a sugar daddy."

The author is Commercial Editor, The Times.



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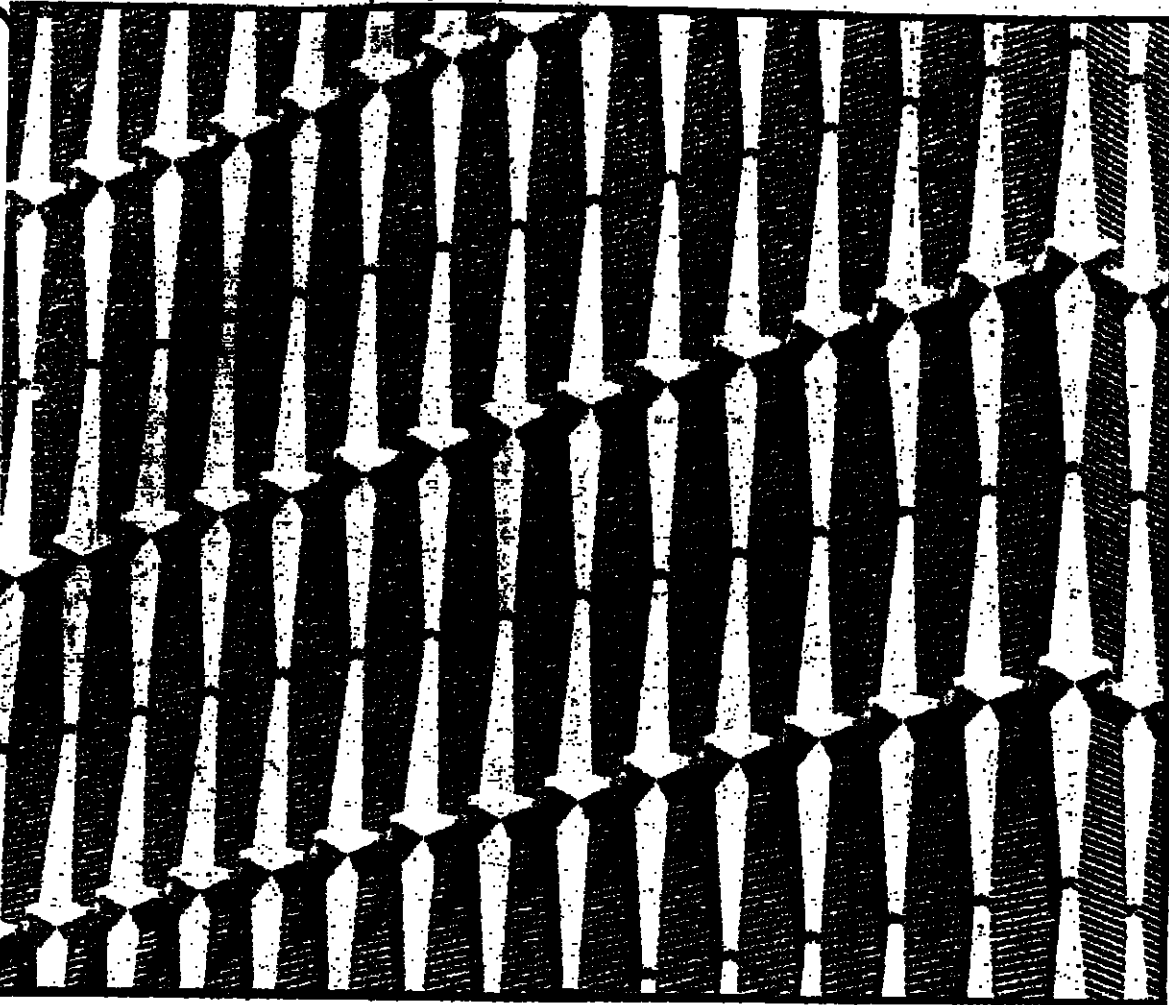
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BANKING AND FINANCE



Concrete screen on the Commercial Bank of Dubai in Kuwait not only forms a shading vertical grid pattern but helps to reduce heat inside the building.

Immense rise in claims on private sector

Derek Harris

There are many banking institutions in Kuwait. So many have emerged, and the growing demand for credit has become a major factor in the economy.

The Government is still to announce the extent of its annual spending plans, but the Central Bank has been quiet this year. Public expenditure commonly accounts for about 80 per cent of non-petroleum gross domestic product.

For investors it can effectively determine the size of their pay cheque for the year.

Some bankers are not too happy as what they regard as restraints imposed by the Central Bank. Kuwait's equivalent of the Bank of England, the Central Bank takes in time deposits from the banks to control credit expansion but what the banks particularly dislike is having to retain a 25 per cent liquidity ratio, although there is no reserve ratio.

Interest fixed on market needs

The Central Bank's new powers under this year's enabling it to fix interest rates: according to market needs were generally welcomed. But the banks were not happy when a hand-off change mechanism was allowed the banks effectively to gear up their interest rates by at least 15 per cent, was ended.

However, the Central Bank appears convinced that the present rate structure of from 7 per cent to 10 per cent according to the type of loan is still appropriate for market conditions. One of the banks' problems is that it is still difficult to compete with the big international banks now established as offshore banking units (OBUs) in Bahrain and the Gulf. The OBUs have produced a powerful, short-term money market and foreign exchange market.

A major portion of the commercial banks' foreign assets—which reached a maximum of KD674.9m (about £1,400m) last year—has been with foreign banks, mainly in the form of short-term deposits and negotiable certificates of deposit. They are thus particularly sensitive to international interest rate movements and currency fluctuations.

measures being studied to bring down the cost of living. A limit on overvaluing was under consideration, he said. But he also blamed the lack of such facilities as efficient port facilities—construction is causing delays of up to 100 days in Kuwait—and hold-ups in construction projects for inflationary conditions.

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Another credit restriction which has been imposed by the Central Bank, in the wake of increasing speculation on the Stock Exchange and particularly in property dealing, is a prohibition on banks granting to any one customer unsecured credit exceeding 10 per cent of capital and reserves.

The demands on the banks have been so considerable because so much financing has been put through in the form of one year, roll-over bank loans. However, there is now more resort to the stock market to raise

capital. About half a dozen new quotations appear to be on the cards. The six quoted banks—soon to be joined on the exchange by the Burgan Bank—which was startlingly trading at up to 16 times its nominal share value after being registered 18 months ago—recently went to the market for some KD85m (£177m). This, the equivalent of three months' current trading on the exchange, is having to go to three separate calls, the first of which was in April.

A major stabilizing influence in the money markets which is emerging is the fast-growing market in bonds. A rising share of bonds can be considered part of a bank's liquidity ratios encouraged the bond market but the Industrial Bank of Kuwait (IBK), in which the Government has a 49 per cent stake, has played an important role.

It floated its second KD5m (£10.4m) bond issue in March last year. Because of increased demand for the bonds, the issue was raised to KD8m (£16.8m). The bank, now in its third year of operation, hopes soon to float medium and long-term bonds as well as issuing certificates of deposit.

IBK has also joined with the private sector KIIC in setting up a market maker in bonds to encourage trading in both Kuwaiti and Eurobonds. This is the Arab Company for Trading Securities (ACTS).

The total float in bonds denominated in Kuwaiti dinars last year reached the equivalent of \$1,000m (about £580m). There has been a fast increase in such bond issues particularly in the past two years. In 1975, the annual issues being worth only KD15m (about £3.2m) but climbing last year to 13 issues worth KD76m (about £158m).

One of the factors favouring the bonds has been the way that Treasury loans have been progressively decreased in favour of bonds as a major source of international financing.

The aim of denomination in the local currency now occupying in the United Arab Emirates, Bahrain and Saudi Arabia as well as Kuwait, is to attract potential local investors.

Mr Hikmat Nashashibi, manager of KIIC who was formerly investment manager of the Arab Fund for Economic and Social Development, Kuwaiti dinar bond issues in 1976

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points out that the more unsettled foreign exchange rates become the more attractive investment as well as domestically as bonds denominated in the relatively stable Kuwaiti dinar.

The KD bonds are already attracting a reasonably good grade of borrower and as familiarity with them increases that trend could well be reinforced. "Good quality borrowers are now more keen to tap this market," he said. "It is an area for diversifying sources of funds. Eventually it could grow to the point of providing a growing range of funds."

He feels that the time is right for medium-term KD bonds to come to the market. That and short and long-term instruments in Kuwaiti dinars could tap a lot more private money, he believes.

The bond market could provide the retail investor in Kuwait with a substantial investment yielding fixed rate earnings for money that is lying fallow waiting for other possibilities to come along. The beginnings of retail demand could now be seen, he claims.

Certainly ACTS has got off to a flying start, with a turnover of \$16m (about £9.36m) in its first week of operation. An advantage of the secondary market which ACTS should promote is that it will provide a point of investment for expatriates in Kuwait who at present cannot trade in shares. Another possibility for such investors could be unit trusts which are seen as a future possibility by Mr John Hollis, who is advising the Government on the setting up of Kuwait's new stock exchange mechanism. Another possibility there is for institutions to match foreign shares with bonds which might then be sold to expatriates.

Kuwait's investment companies are playing an increasing role in debt financing. KIIC, particularly successful with a joint stock certificates issue worth KD20m (£41.5m) for a clutch of property projects. International debt financing is another area in which Kuwait institutions have shown their strength. Last year KIIC was the first Arab institution to lead manage a Eurodollar loan when it put through an all-Arab \$100m (£53.5m) loan for the Sumed (Suez-Mediterranean) pipeline project.

Mr Hikmat Nashashibi, manager of KIIC who was formerly investment manager of the Arab Fund for Economic and Social Development, Kuwaiti dinar bond issues in 1976

Borrower/guarantor	Amount KDm	Final maturity	Interest coupon %
Bank Handlowy Warszawa (Poland)	5	1986	8 1/2
Bank Ljubljanski (Socialist Republic of Slovenia, Yugoslavia)	5	1981	9
Industrial Bank of Kuwait (Kuwait)	5	1981	6 1/2
Banco Nacional de Obras y Servicios Publicos (Mexico)	6	1986	8 1/2
Turkiye Petrolleri (Republic of Turkey)	8	1986	9
Compagnie Nationale Algerienne de Navigation (Algeria)	8	1986	6 1/2
Credit Immobilier et Hotelier (Kingdom of Morocco)	3	1986	6 1/2
Banque de Developpement Economique de Tunisie (Republic of Tunisia)	7	1981	8 1/2
Beogradska Banka (Socialist Republic of Serbia, Yugoslavia)	5	1981	9
Nacional Financiera (Mexico)	6	1983	8 1/2
Privredna Banka Sarajeva (Socialist Republic of Bosnia and Herzegovina, Yugoslavia)	5	1982	9 1/2
The Korean Development Bank (South Korea)	7	1979	8 1/2
SA Marocaine de l'Industrie et du Raffinage (Kingdom of Morocco)	10	1986	8 1/2

The Commercial Bank of Kuwait

KD650,883,940

KD388,805,920

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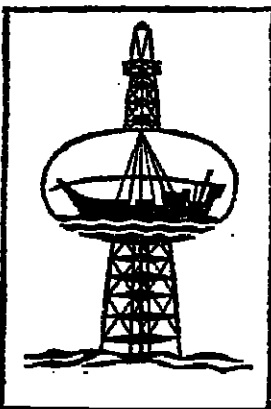
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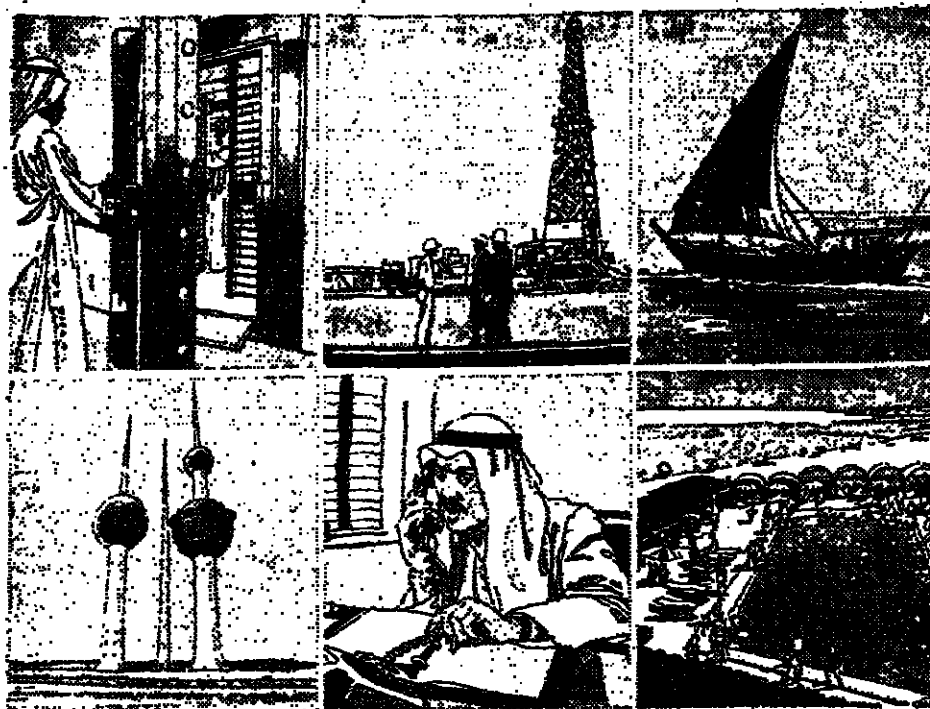
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How the Kuwait stocks compare

Company	% div yield		% div & bonus yield		P/E ratio		Asset ratio	
National Bank	0.80	0.98	1.66	1.87	61.3	54.2	7.8	4.0
Gulf Bank	0.48	0.52	1.39	1.55	48.7	41.8	6.7	6.8
Commercial Bank	0.54	0.52	1.61	1.56	52.3	54.8	6.7	3.9
Al-Ahli Bank	0.79	0.79	1.84	1.84	44.1	44.1	5.7	5.7
Bank of Kuwait & M. East	0.59	0.59	1.47	1.47	36.5	50.5	7.1	7.1
Real Estate Bank	0.87	0.89	1.74	1.78	38.5	34.5	6.3	4.5
All banks	0.68	0.71	1.62	1.68	49.5	47.6	7.1	6.2
KIC	1.67	2.17	1.67	2.17	51.2	39.2	5.5	4.2
KFTCIC	2.00	2.45	2.0	2.45	33.1	27.0	4.2	3.4
KIIC	0.82	0.85	3.44	3.57	16.5	15.9	5.5	5.3
All investment companies	1.50	1.62	2.37	2.33	37.3	27.4	6.1	4.3
Kuwait Insurance	0.45	0.40	2.7	2.38	23.5	26.7	10.2	11.6
Gulf Insurance	0.8	0.8	2.72	2.72	28.0	28.0	8.3	6.7
Al-Ahli Insurance	1.07	1.01	3.21	3.21	24.7	26.3	9.4	10.1
All insurance	0.77	0.76	2.88	2.77	24.7	26.3	9.4	10.1
National Industries	1.02	1.03	2.73	2.78	37.0	36.5	13.8	13.4
Flour Mills	3.0	8.0	3.0	3.0	29.2	29.2	1.0	1.0
Metal Pipes	0.58	0.58	3.89	3.93	18.8	15.4	7.8	7.6
K Cement	1.2	1.28	3.6	3.85	19.7	18.5	6.4	6.0
United Fisheries								
Refrigeration								
National Automotive	2.04	2.09	2.04	2.09	48.0	33.8	5.9	4.2
K Shipbuilding					49.8	47.6	4.4	3.3
K Poultry								
Sanitary Ware						(660.0)		(127.7)
Gulf Cables						(194.6)		(44.7)
All industries	1.44	1.47	3.35	3.38	30.3	29.5	6.6	6.5
Kuwait Oil Tankers								
K Shipbuilding								
K Transport								
Livestock TT	1.51	1.59	4.54	4.78	16.7	15.9	5.8	5.4
All transport	1.51	1.59	4.54	4.78	16.7	15.9	5.8	5.4
K Cinemas								
K Hotels	1.18	1.23	4.12	4.32				
K Foods	1.14	1.14	3.43	3.43	61.9	61.9	2.2	2.2
All services	1.16	1.18	3.77	3.87	61.9	61.9	2.2	2.2
Kuwait Estates	0.4	0.43	2.8	2.99	17.8	16.7	8.9	5.6
Utd Real Estate	1.00	1.42	4.32	4.48	26.9	52	5.2	4.2
National Real Estate	1.04	1.37	3.12	4.10	20.6	15.7	6.9	4.5
All real estate	0.84	1.07	3.41	4.02	15.1	12.5	6.8	4.8

In each pair of columns first figure is based on 1976 results and end 1976 price, second figure is based on present price and 1976 results adjusted for bonus and rights issued.

Largest turnover between Europe and Tokyo

by Derek Harris

Until last April the operation of Kuwait's stock market was reminiscent of the early days of Lloyd's when business was done informally in the London coffee houses. Shares changed hands over glasses of tea or coffee, with the few hundred regular investors not always resorting to a broker's help in matching a sell or a buy among the 33 shares that lately have been available. But Kuwait City now has an exchange floor, with closed circuit television and a "big board", temporarily housed in a converted warehouse basement, giving immediate information on business being transacted. The exchange is in the middle of the main business centre near the Siff Palace and only a few hundred

yards from where a new stock exchange building with a major trading floor, should be open for business within four years. This big change for the Kuwait stock market, by far the largest in the Arab world and dwarfing some European markets in turnover, is being sponsored by the Ministry of Commerce. The minister brought in as consultant Mr John Hollis, formerly the London Stock Exchange spokesman, who has been able to call on specialist advice in London in setting up new systems for the Kuwait exchange. Mr Hollis agrees that the present no market developed in its methods of operation than that of London 130 years ago, but he is quick to point out that in turnover it is by far the most substantial market between the main European centres and Tokyo. Last year there was a shares boom which faded only in the last quarter. Turnover in the year involved 19,500,000 shares valued at nearly KD950m, (about £1,940m), an increase of 134.7 per cent on the previous year.

Turnover has been ahead of that of many European markets and is not far short, for instance, of Amsterdam's. Kuwait's nearest international equivalent is probably Johannesburg, but it lacks some of the refinements of the highly developed markets. There is no gilt-edged market, at any rate for the time being, largely because Kuwait's oil riches have meant the Government has not needed to float public debt issues. Until this year there has also been a swiftness of interest rates, arising historically from the Islamic usury laws. Consequently there has been no scope for dealings between long and short gilts.

The secondary market in Kuwait dinar denominated bonds lies with the banks but this is a sector of considerable growth, given added impetus this year by the emergence of a market-maker mechanism. A certificate of deposits market looks likely to emerge and some Kuwaiti bankers look to the day when the stock exchange will include every sort of Kuwait investments.

There are other possibilities. Rich Kuwaitis invest directly in London, Wall Street and European stocks and Mr Hollis believes this could lead to a local market building up in depository receipts of these foreign companies.

Only companies registered in Kuwait can get a stock market quotation and only native Kuwaitis, including women, may trade in shares. But the logic of the growth of the Kuwait stock market is that it could become a market for shares of companies in other Gulf states and eventually of Arab countries generally. Although progress is slow towards monetary union of the Gulf states this could eventually break down the barriers against foreign investment in Kuwaiti stocks which would yield a welcome boost for the Kuwait market.

However, recent attempts to introduce in limited form some foreign securities appear to have been deflected for the time being by the authorities. Because only Kuwaitis may buy and sell shares, there are between 500 and 600 important regular investors, all known personally to each other. This was largely why the market was able to cope on an informal basis.

In many ways the system was self-policing, removing the need to set up a formal rules structure. The defaulting of a broker, for instance, was not a problem. But if a broker's behaviour is objectionable there are no disciplinary measures that

can be taken except to withdraw his licence.

There are 24 licensed brokers although not all practise and some are in partnerships, leaving effectively 14 trading units. Their commissions are probably the lowest in the world—mostly less than 40p a share irrespective of the price per share.

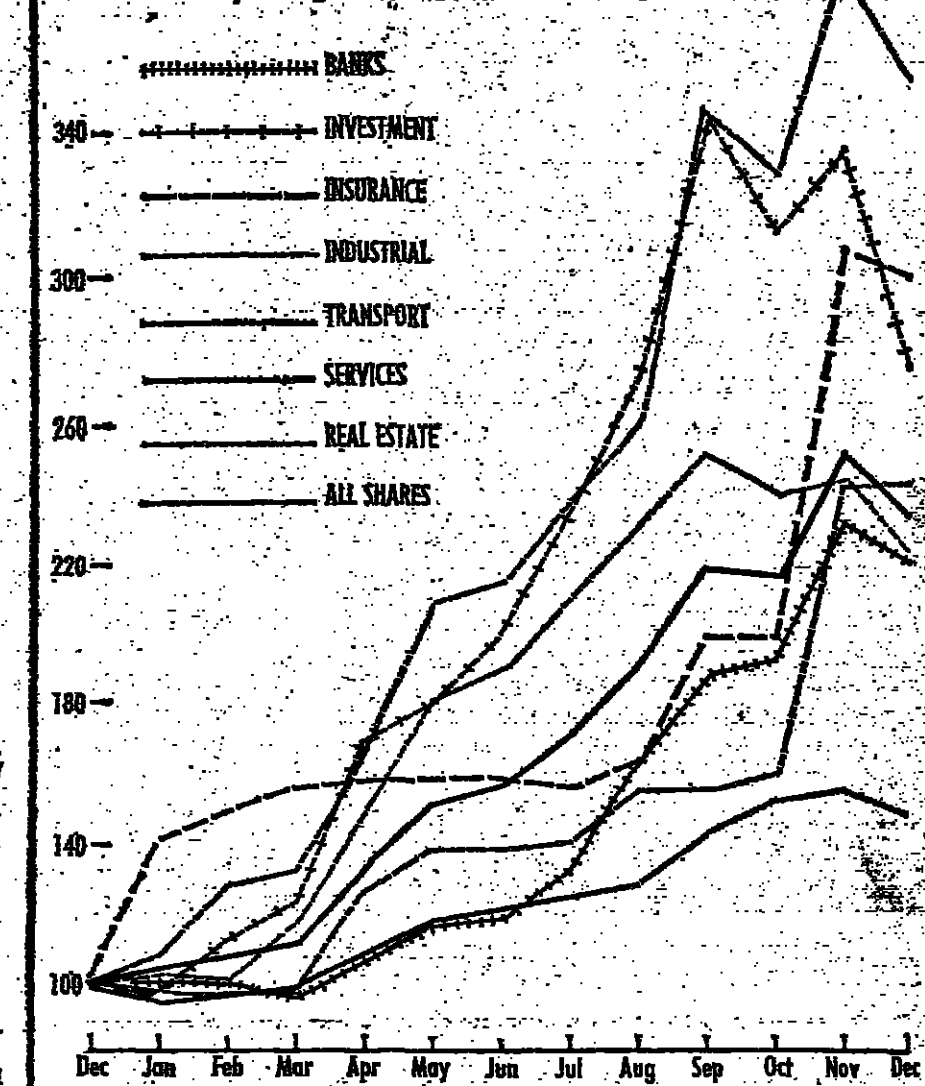
Most brokers have other interests, such as property financing. The commission structure inevitably leaves them without the resources to mount investment research facilities. Nor do they customarily provide a settlement service, although this might be done as a favour to an overseas client.

Essentially they provide a referee service between buyers and sellers. If the stock market matures to the point where foreign stocks are quoted and if non-Kuwaitis are allowed to invest, it will mean a change in the role of the broker who will have to shoulder responsibility for deals.

That would certainly mean a big change in the scale of commissions for brokers. But so far none has shown much enthusiasm for changing the service provided. Nevertheless change is in the air. What the temporary trading floor has done, and what the

FOCUS ON STOCK EXCHANGE

KUWAIT SHARE PRICE INDEX (Monthly Changes 1976-77)



new exchange building will undoubtedly reinforce, is to alter the atmosphere of business. There is already an air of cool efficiency, even at the main surge of business in the morning and evening, on the new trading floor, with the television monitors listing the business of the day with lows, highs and changes.

Certainly there was a considerable surge in business when the floor opened on April 2 although the novelty of the new system inevitably faded. Moreover, turnover and price movements have been rather flat this year. In the first quarter of the year shares traded numbered 1,250,000 compared with 4,150,000 in the same period last year. Values were KD70m this year compared with KD170m last year.

Overall shares prices in this year's first quarter were down 11 per cent on last year's first quarter rise of 10.9 per cent.

But there is extensive new issue activity this year. Twenty of the listed companies, including five of the commercial banks, have come to the market with a

series of bonus and rights issues. The rights issues have raised KD95.3m.

There are two new company listings—the Sanitary Ware Company with an offering of shares at KD6.7m and Gulf Cables and Electrical with shares at KD5m.

One factor in the slower trading has been the postponement announcement of the Government's annual spending plans, which is usually made in March. It is at this point that investors can calculate the possible benefits as government money is pumped into the various economic sectors.

Repeated warnings from the Ministry of Finance that the Government intends to be more stringent in its future spending have also had their effect.

If the market stayed at these levels turnover might be about KD400m by the end of the year compared with last year's KD950m. That could happen if the Government proved really tough in its spending policies.

But is this volatile market there could still be considerable surges to come. On the other hand, not

many investors appear to buy for income. They tend to hold for income, rather as happened in the Australian mining shares mania in London during the boom of a few years ago.

As the stock market develops there will be need for company reports conform to a pattern ensure equality of information. Mr Hollis is finding this a difficulty in trying to set up the equivalent of a company profile and system.

But the mechanism for a daily share index are now established and with additional staff this could be a regularly published feature.

Preliminary designs for the new stock exchange, which should be complete in the early 1980s, are being prepared by the John S. Bonnington Partnership. It is the third design consultancy in Kuwait for the London firm of architects which is bringing in design consultants who worked on the new London Stock Exchange.

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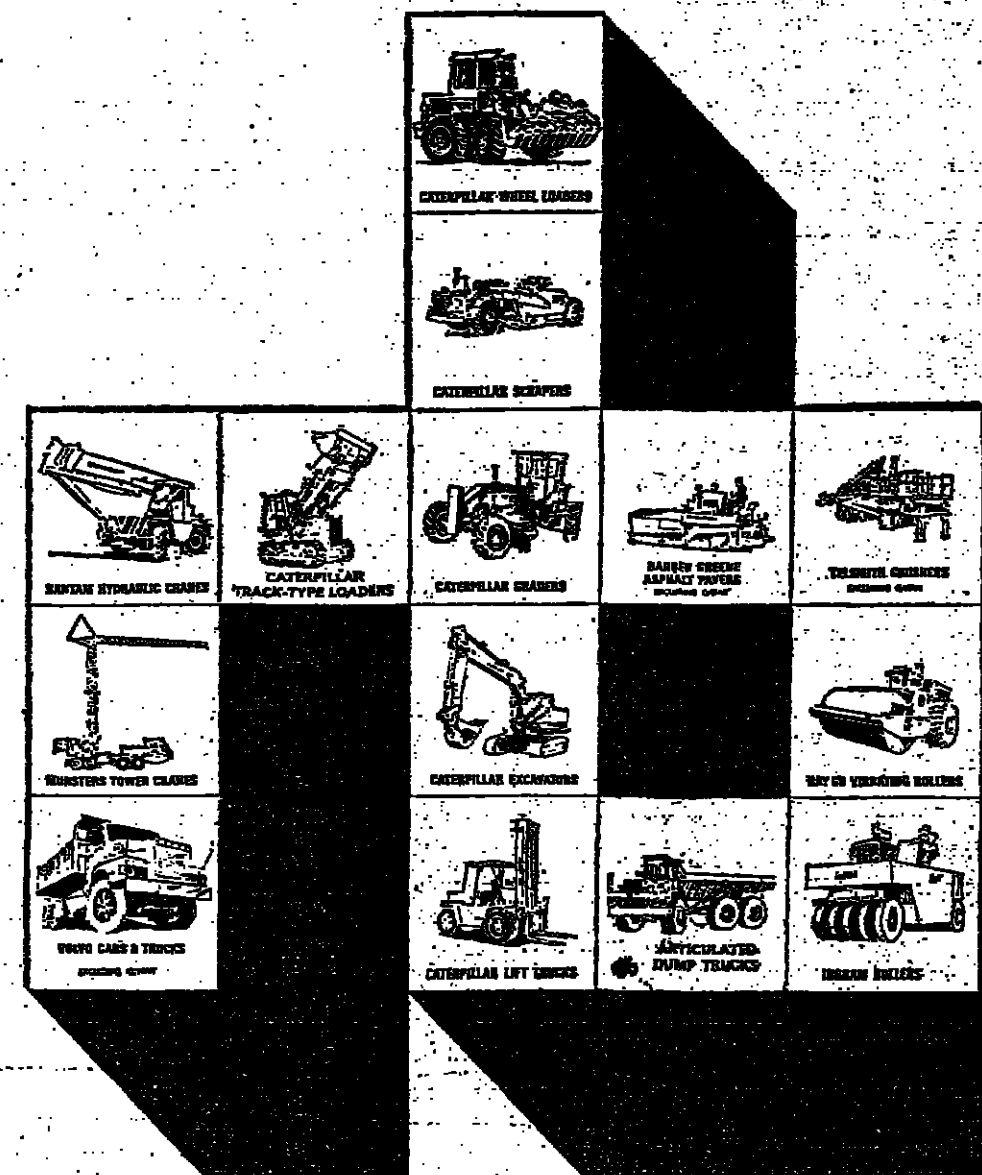
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FOCUS ON

SHIPPING

Consultants study chronic port congestion

by Peter Hill

Last month the Kuwaiti Government announced that it would implement remedial measures against shipping lines which introduced surcharges on Kuwait-bound cargoes.

The move came after announcements by several companies that they planned to introduce a 35 per cent surcharge, claiming that they had suffered losses because of delays stemming from congestion at the principal port of Shuwaykh.

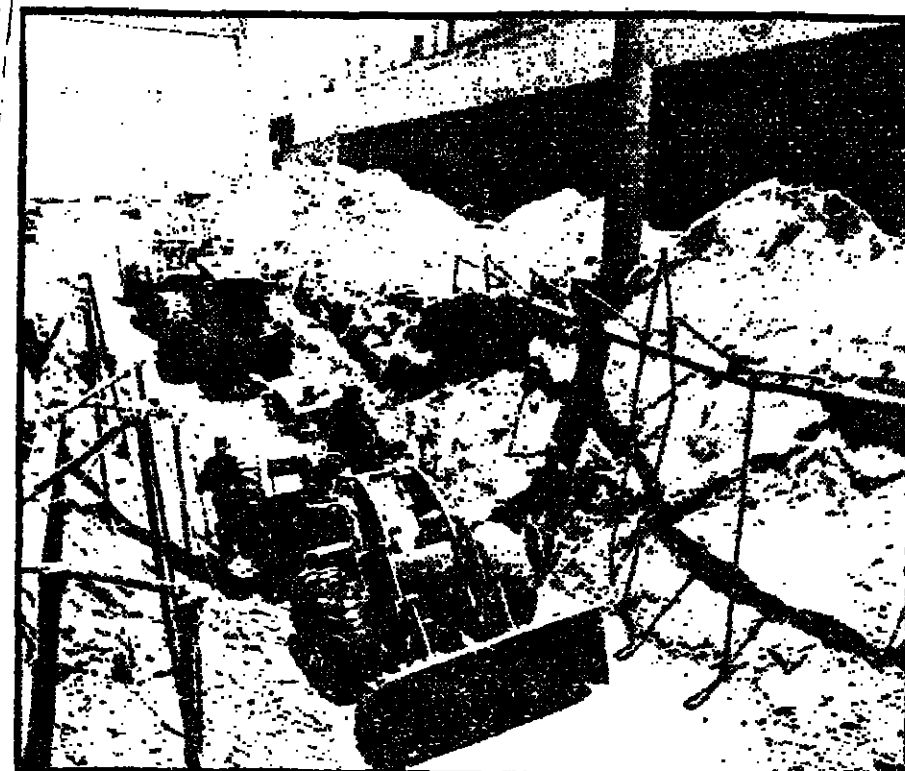
It is a familiar story. Congestion has become a characteristic of many ports throughout the Middle East where the volume of trade is such as to overwhelm the inadequate facilities offered by the ports. It happens elsewhere too—the sight of hundreds of ships off Lagos 18 months ago waiting to unload their cargoes at the Nigerian capital port is one not easily forgotten.

In March this year, the waiting time for conference line ships scheduled to unload at Shuwaykh was between 50 and 52 days and at the time there were some 55 conference line vessels waiting to discharge their cargoes. At the same time there were between 110 and 120 non-conference line ships awaiting discharge and their waiting period was anything up to 120 days.

The director of the Kuwaiti Ports Authority, Mohammad Badwan, blamed the congestion on the sharp increase in tonnage being landed at the principal port—it rose from 1800,000 tonnes in 1975 to three million tonnes last year. To some extent the congestion at Kuwait's ports may have been exacerbated by the decision of some shipping companies to use the facilities there in an effort to short-circuit the congestion at other ports in the Gulf. But, in the longer term, as new facilities are completed at Kuwait, it is likely to become an established trade gateway for other Gulf states and for Saudi Arabia.

There has been some improvement recently. Within a month of the estimates of the March waiting period, the waiting time had been reduced to between 38 and 40 days for conference line ships.

An important factor in the improvement has been the work of British consultants



Laying the foundations of mercantile prosperity: the new quay alongside the dry dock at Kuwait. Left: British-built cranes.

a company called Gulf Port Management Services, formed in 1974 by the Mersey Docks and Harbour Board and the London-based Scruttons Group.

The company was formed to take on a contract at the Saudi port of Dammam to reduce congestion and speed the flow of traffic through the port. It managed to reduce the time for general cargo ships there from 90 days to 15. The joint consultancy company was engaged by Kuwait Shipping to effect a similar improvement at the eight berths which it uses at Shuwaykh. The two-year contract was placed at the end of last year and the company dispatched a team of experts in every aspect of port operations to resolve the difficulties.

Port congestion presents a serious threat to the development of countries. Last year the shipping committee of the United Nations Conference on Trade and Development estimated that the levels of port congestion throughout the world at that time were costing some \$3,000m a year, and that estimate did not take into account the indirect conse-

quences of congestion. In Kuwait the Government has considered making Shuwaykh port a free zone to relieve the port's chronic congestion difficulties.

There are a number of plans for the development of Kuwait's port facilities. Local contractors are already engaged on the western extension to Shuwaykh port which, when completed, will increase the number of berths to 19. Consultants are studying the north-east extension of the port which will include the provision of a free trade zone. Proposals for the northern extension include the construction of a railway link between Shuwaykh and Jabal Sarhan, a long-term project much favoured by the Kuwaiti Port Authority.

Present expansion plans at the port will lift its annual capacity to five million tonnes compared with the present notional maximum capacity of 3,500,000 tonnes. If all the development plans are pursued and implemented, in a few years' time the port will be transformed into an important utility with nearly 60 berths.

Contracts are now being placed for development of

Kuwait's other leading port, Shuaybah. The port serves both as a base for the export of oil products and for the import of general cargo. The existing commercial harbour has an annual capacity to handle about a million tonnes of cargo. It has five berths, with varying depths of between 23ft and 27ft, along the 670-metre jetty.

The barge harbour at Shuaybah provides berths for tugs, other service vessels and smaller craft including trawlers; and the oil pier has two berths 45ft deep able to accommodate on one side vessels of up to 100,000 tons and on the other tankers of up to 40,000 tons.

Besides developing facilities for handling merchant ships, the Kuwaiti Government is developing a new naval base. Part of the contract, which is for the construction of facilities about 40 miles south of Salma at a cost of some \$13m, has been placed with a Japanese contractor, with Yugoslav and Pakistani companies being engaged on the rest of the contract.

Meanwhile congestion at Kuwait's principal port has been reflected in the hinter-

land where the number of vehicles is increasing at an awesome annual rate of some 40,000, using only a thousand miles or so of main roads and producing one of the thickest densities of traffic to be found anywhere in the world, comparable to the densities of traffic in London, New York or Tokyo.

The Government has been concerned in a big road building programme in the urban area of Kuwait in recent years in an attempt to alleviate the blockages and this has included a four-lane highway built on reclaimed land. The road runs the length of the shoreline to about 15km and is designed to siphon off commuter traffic between the residential and business areas.

Road communications, however, are claimed to be among some of the best in the world and there is a pattern of wide high speed highways which link Kuwait town with the main oilfield regions of the country. One of the biggest highway projects in recent years has been the construction of the 95km Kuwait Saudi Arabia highway which was completed two years ago but other important projects are in various stages of completion.

In the latest phase for the Kuwait municipality, the authorities have allocated \$10.3m for the construction of more highways, and a further \$8.2m has been allocated for road improvements. Besides the building of new streets, the plan will include the clearing and development of pavement areas and the construction of pedestrian overpasses.

Projects to be completed in the short term include the construction of the Ahmad al-Nuwaseeb highway and the 70km Jahra-Subayh road which will be built by local contractors. Two big studies of transport in the longer term are also under way. In March this year Freeman Fox and Partners was engaged to carry out a 15-month study of state transport (including the possibility of the construction of a rapid transport system); while an even longer-term study—to the year 2000—of the development of transport and communications in Kuwait is being carried out jointly between the planning board of the Ministry of Communications and the Stanford Research Institute.

The author is Industrial Correspondent, The Times.

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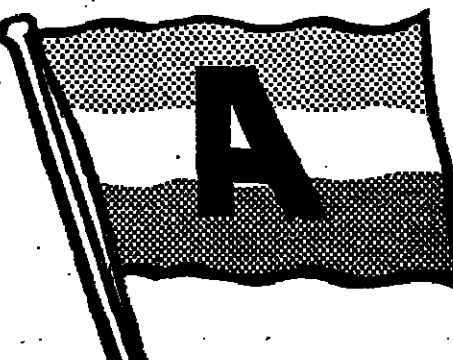
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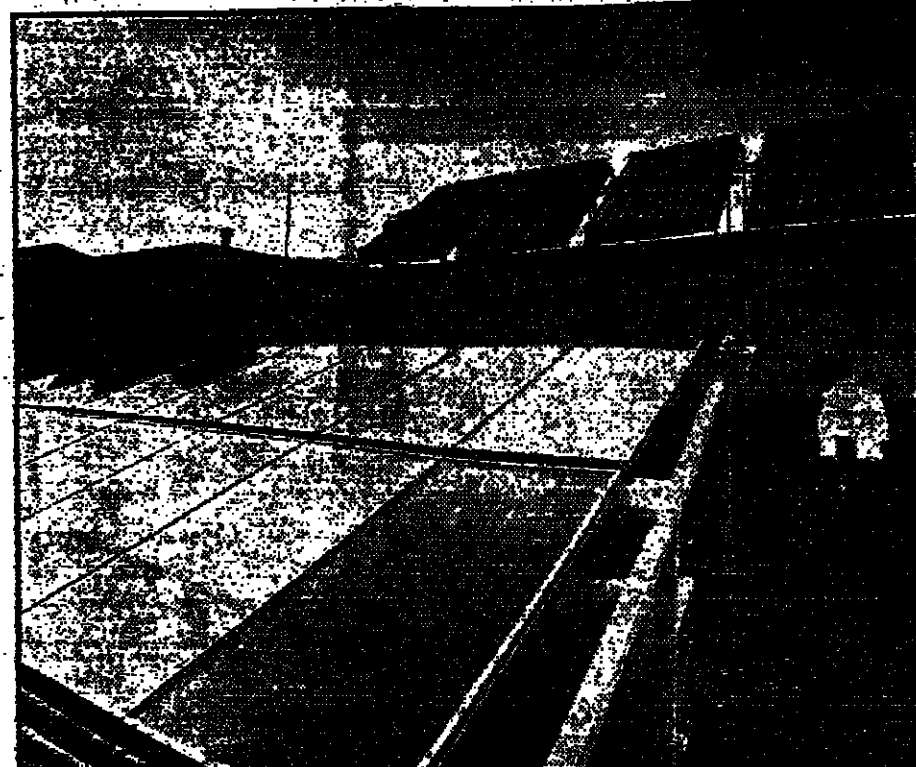
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FOCUS ON

SCIENTIFIC RESEARCH



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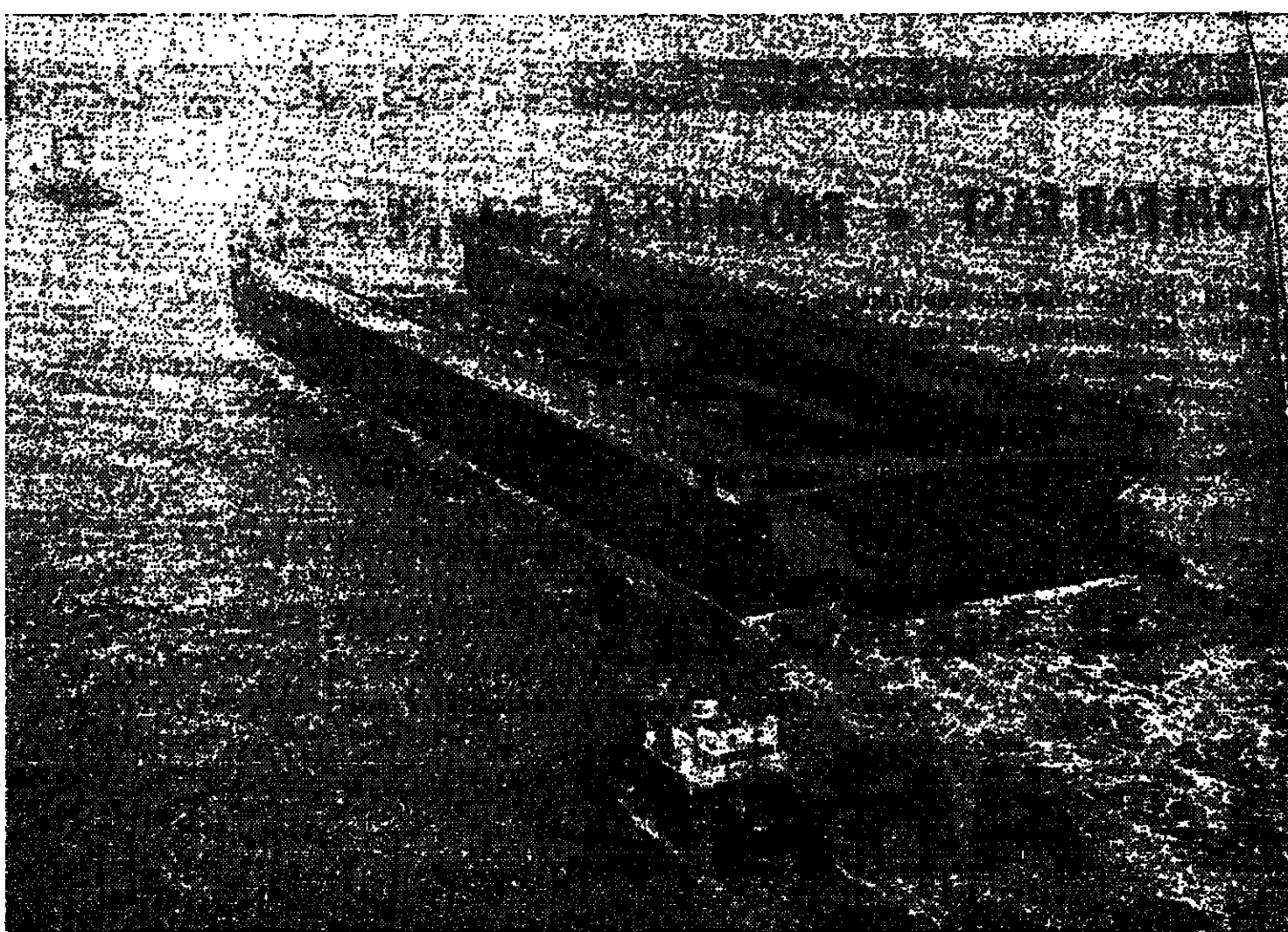
Oil and sunshine are two resources which abound and are being put to new uses at the Kuwait Institute for Scientific Research. These chicks (top left) are being fed on products made from oil-based proteins. One of the difficulties confronting the horticulturist is excess heat. Solar energy is being used to provide a cooling system and humidity supply in experimental "greenhouses" (top right and right). Sunpower is used to heat water and to operate the air-conditioning in the test house. It has also been found that more equitable conditions can be created for such vegetables as tomatoes and cucumbers by growing them in a 5ft deep pit covered by the "greenhouse" with adjustable panels. The fish in the jar (top) is a five-month-old hamoor. It is hoped that this kind of fish may be used in potential fish farming operations in the area. The little plant (left) is the wax-producing jojoba, a desert shrub from Arizona which has a 50 per cent wax content. The institute is trying to establish whether the plant is suitable for the Kuwait climate.



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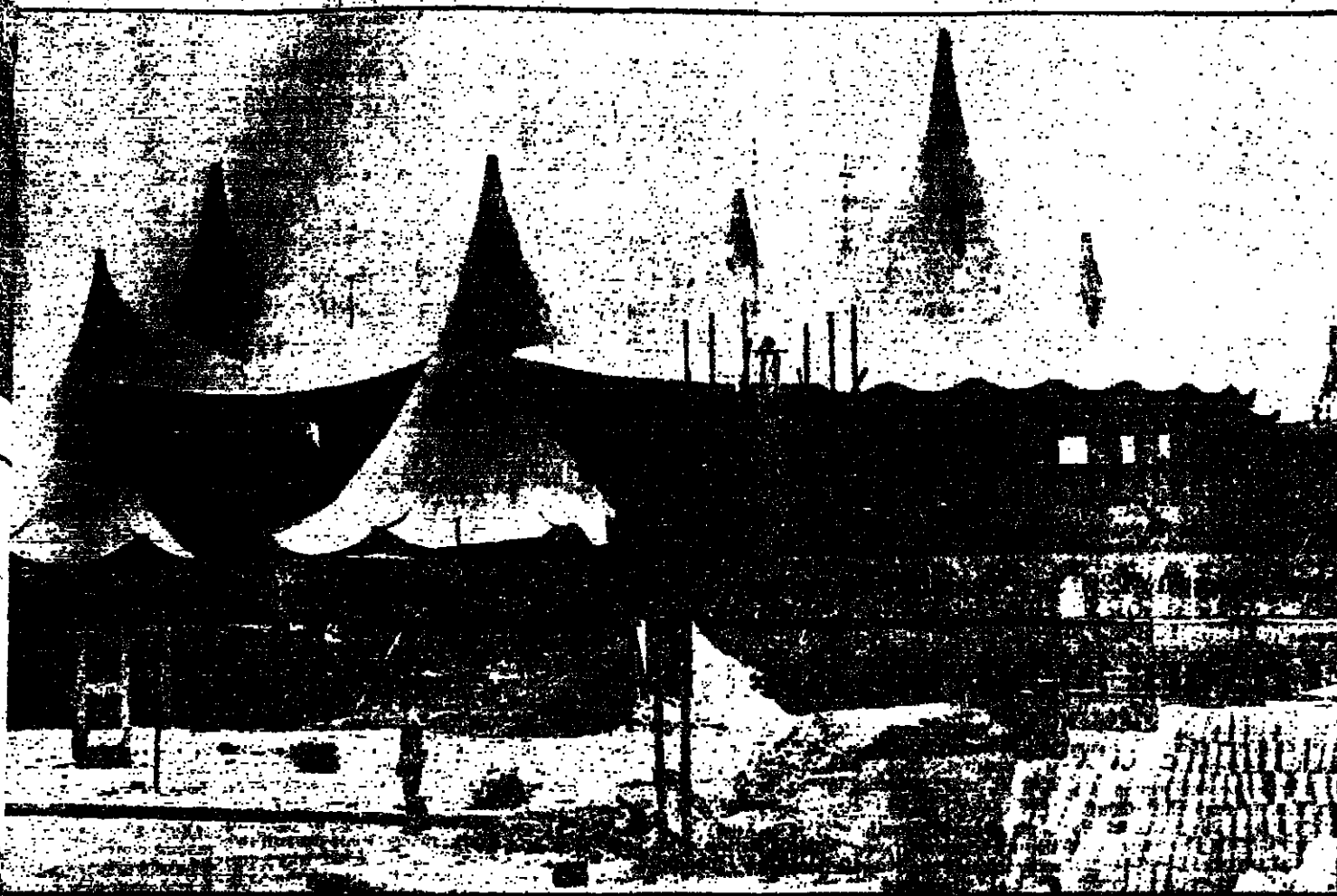
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FOCUS ON

SOCIAL SERVICES AND MANPOWER



New house in the style of a tent in the smart suburb of Kuwait, Salmiah.

Steps to eliminate discontent within society

Alan Mackie

Kuwaitis would dispute the state's social services have been equally run down.

When Kuwait gained complete independence in 1961, the ruling family embarked on a policy of spreading the wealth of the country more equitably. There was a certain practicality in their altruism, given the hostile line Iraq adopted to the newly independent state.

Funds were lavished on social services; but apart from medical treatment, the benefits of the welfare state were for Kuwaitis only. In the next 10 years the economy boomed, Kuwaitis became extremely prosperous and the need for social services became less pressing.

A large influx of foreigners arrived to meet the labour shortage. What changed the situation was the inflation of the past two or three years. Not only did the funds being put into social services not match the rate of inflation, but no allowance was made for the fact that the population was growing. This was particularly evident in health, where the state also accepted responsibility for expatriates.

Added to this, the expectations of Kuwaitis rose and made them conscious of inadequacies in the social services that might not have worried them a decade before.

This discontent was particularly evident in housing, inflation and the real estate boom had made it difficult for the poor Kuwaiti to find housing. For the expatriate it was even worse, for he was not eligible for many of the social benefits, such as family allowances, open to Kuwaitis.

Aware of the dangers if this discontent was allowed to fester, the Government last summer announced the outline of a massive housing programme to eradicate the housing shortage by the building of 52,000 low-income homes by the end of 1981.

The total cost of the housing programme will be KD1,400m, of which half will be provided directly by the state in housing schemes and the other half by the private sector. State aid does not end there, however. Soon after the constitution was amended in August, the Government raised the capital of the Credit & Savings Bank from KD120m to KD320m to clear the backlog of home loan applications.

This bank provides home loans for Kuwaitis who build privately on land provided free by the state. One considerable complaint had been that young middle-class Kuwaitis could not afford to buy their own homes.

Work has already begun on the house-building programme, which clearance schemes have been put into operation in Jabra, a town close to Kuwait, and a Kuwaiti suburb, Ardiyah. Two large contracts have been awarded, one for \$270m with Engineering Projects of India and another for \$170m with Korean Overseas Construction of South Korea, which could become the norm, given Kuwait's scarcity of manpower and raw materials for future contracts.

The companies have undertaken to supply their own manpower and many of the raw materials needed for the projects. The programme involves the creation of satellite centres and a new administrative and civil service centre to be built south of Kuwait city and a few kilometres from the coast.

These satellite villages will create self-sufficient communities, each with its own mosques, supermarkets and community centres.

The housing programme, apart from removing the main cause of dissatisfaction among poorer Kuwaitis, will indirectly help the expatriate community by easing the pressure on housing. Expatriates, however, still have to find accommodation on the open market.

A few ministries are beginning to accept responsibility for expatriate employees, but they are few. The exception is where Government employees come to Kuwait on secondment. Then they are provided with accommodation.

For the remainder, the

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Identity vital issue

by Michael Prest

The unrelenting fact Kuwaitis face is that they are few in number. The matter is not merely demographic, nor even economic, but profoundly political, and the question is how their sense of identity can be preserved.

The bare statistics hardly begin to bring out the full dimensions of the situation. The official census for 1976 estimates the population at 1,053,000. Some 300,000 of these are non-Kuwaitis, the labour force, according to the Statistics Bureau. But Kuwaiti nationals are only about 48 per cent of the total population and 30 per cent of the labour force. The average birth rate for the whole population is about 2.2 per cent a year, with the non-Kuwaiti population growing slightly faster because of immigration as well as births.

The picture is further complicated by uncertainty over how many Kuwaitis there are. The number of full nationals—those who carry the red identity card—is probably about 320,000. Another 50,000 are Beduins who have the right of nationality but are not allowed to vote. This total of 370,000 is markedly less than the census figure.

Other nationalities make up about two-thirds of the population. There are more than 200,000 Palestinians and Jordanians, and the rest are Egyptians, Indians and Pakistanis, Syrians, Iraqis, Lebanese and Iraqis. Many of them have been resident in the country for a generation or more, but an increasingly high proportion are recent immigrants, attracted by good wages and conditions.

As circumstances in some countries improve, others are less likely to be less easily lured to Kuwait because of the rapid rise in wages in their own country, Kuwait is turning farther afield. Recently it was announced that 600 South Korean dockers were to be employed.

Far from diminishing Kuwait's need for immigrant labour is growing. The five-year plan tries to reduce that dependence by concentrating on capital intensive industry, and by bringing in foreign workers such as women and the Beduins into the system.

The author is on the staff of the Middle East Economic Digest.

There have been promises of broadening eligibility for Kuwaiti citizenship. Soon after the suspension of the constitution last August, Shaikh Jabir al-Ahmad al-Sabah, the Crown Prince and Prime Minister, said the question would be examined as a matter of urgency. But so far only 36 non-Kuwaitis have been brought into the fold.

If Kuwaitis feel swamped now, the real test is yet to come. No less than 44 per cent of the population is under 15 years old, and many are the children of immigrants. They will grow up knowing no other home and, if present policies continue, possibly with grudges. There are signs that their parents are reluctant to be treated as second-class citizens.

As an understandable reaction against immigration, Kuwaitis have asserted their identity by drawing closer together and by establishing a certain aura of exclusivity. Only Kuwaitis can own land or shares, trade must be through a Kuwaiti agent, and companies must be majority-owned by Kuwaitis. The Kuwaiti is encouraged to find a government job if he can. Find an other, and is entitled to house loans on easy terms. Free education is not widespread for non-Kuwaitis and only nationals may vote. Residential areas are segregated.

But perhaps more symbolic of the sense of desert identity is the Kuwaiti, a sign of abstinence from manual labour. An astonishing high proportion of the labour force, amounting to about 425,000 people, works for the Government. Most of them—about 300,000—work in the oil sector, from the middle to senior levels.

Most of them—about 300,000—work in the oil sector, from the middle to senior levels. The position is not improved by the fact that Kuwaitis enjoy the "Kafala" system, the Kuwaiti will be paid twice as much as a non-Kuwaiti for the same job. If he has a second job—such as running a taxi, for instance—he is entitled to which his wife is home to look after the family, he will have an income of between two and four times that of a non-Kuwaiti.

Promotion for a non-Kuwaiti may be blocked.

Considerable emphasis is being placed on vocational or on-the-job training. The leader is the Kuwait Oil Company (KOC), the country's biggest industrial concern. After the company came under full Kuwaiti control in 1975 the policy of Kuwaitization was intensified. Kuwaitis are the biggest national group in KOC, forming more than half the workforce. Many hold senior and middle management posts.

Despite KOC's success in training and promoting Kuwaitis the national composition of the workforce

illustrates the wider social question Kuwait faces. The company remains heavily reliant on skilled European workers, mainly British, while at the other end of the spectrum the labouring and unskilled jobs are done by immigrants. No doubt more Kuwaitis will move into jobs over the next few years. The danger is that other Arabs in Kuwait will feel victims of discrimination.

Considered from an economic point of view, part of Kuwait's labour difficulties stem from the maldistribution of the workforce between different sectors. For what is still in many ways a developing country, Kuwait has much too high a proportion of workers in service, government and other non-productive employment.

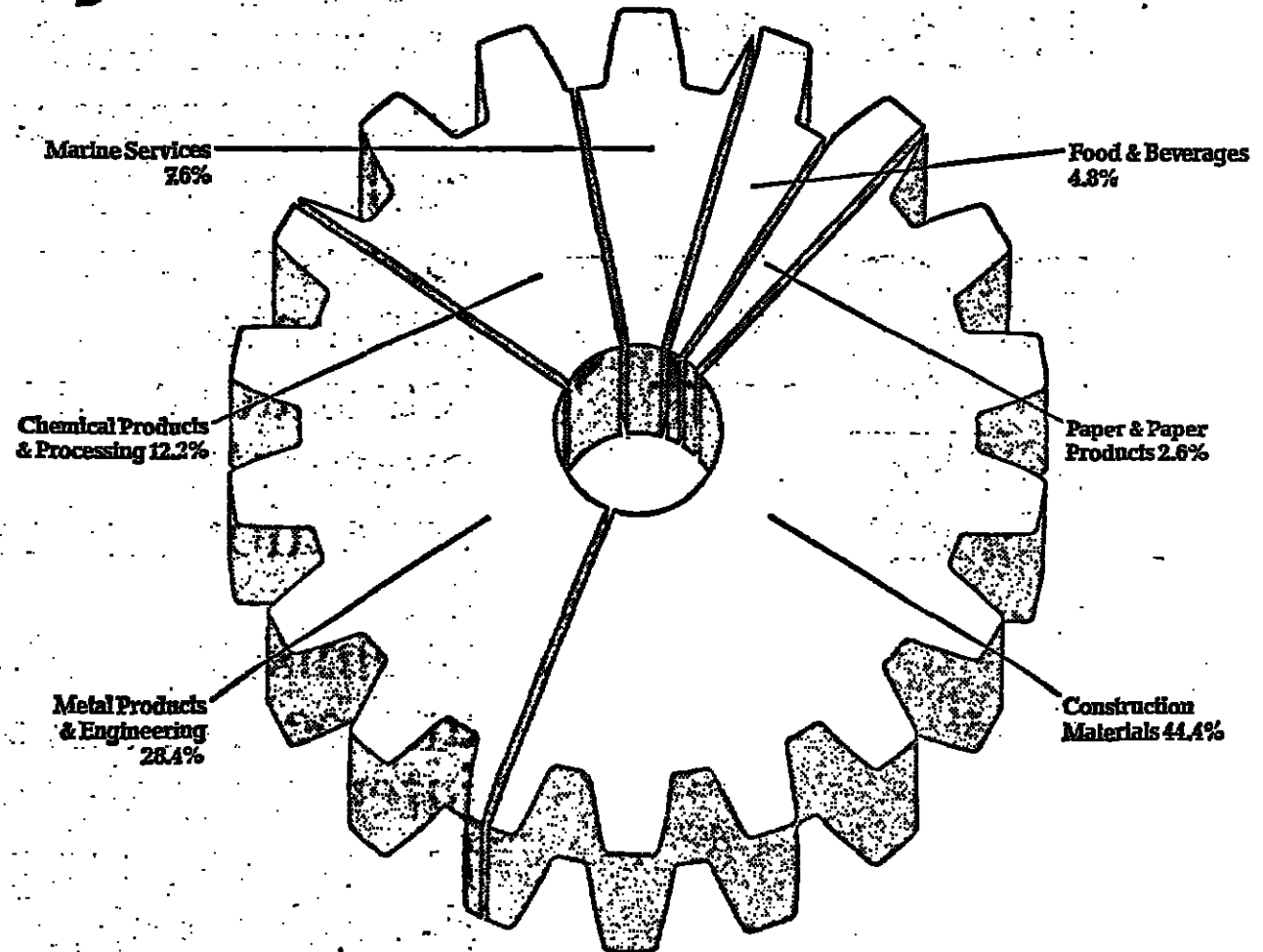
Colossal revenue from a capital intensive industry like oil creates demands for consumer services and goods which are labour intensive, but not particularly skilled. The demand for extra labour, which has to be supplied by immigration, is therefore unlikely to be satisfied so long as the high income rises at the present rate. The large-scale expansion of the construction industry, the largest employer after the Government and service sectors, makes the point.

Nevertheless, Kuwaiti planners must provide more incentives to make the country less dependent on outside suppliers. The obvious solution is to keep them labour intensive, reducing as much as possible the additional demand for labour. Another, much less popular, strategy is to slow down the speed at which incomes are rising. The crux here is the oil extraction rate and its price, but taxation may have to be introduced. Any attempt to restrict the consumer boom would be unpopular with the influential merchants.

In many ways, Kuwait's manpower difficulties are at the centre of the country's dilemma. Oil has brought unimagined wealth, but challenges the identity of the prime beneficiaries. Dependence on foreign labour poses far-reaching questions about the country's political future. If Kuwaitis do not find a solution themselves, internal forces may thrust an unwelcome one upon them.

The author is on the staff of the Middle East Economic Digest.

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- To initiate industrial projects and investments in the most promising sectors of the economy.
- To provide equity and medium and long term credits for sound and viable projects.
- To finance projects outside Kuwait to the extent that they benefit Kuwaiti industries and their development.
- To bring needed technology to Kuwait and find foreign partners, with the necessary expertise, to participate in such ventures.

Our Achievements

As of end May 1977, the Bank approved 62 projects costing KD 103 million (\$350 million) and made to them commitments totalling KD 475 million in loans and KD 910,000 in equity.

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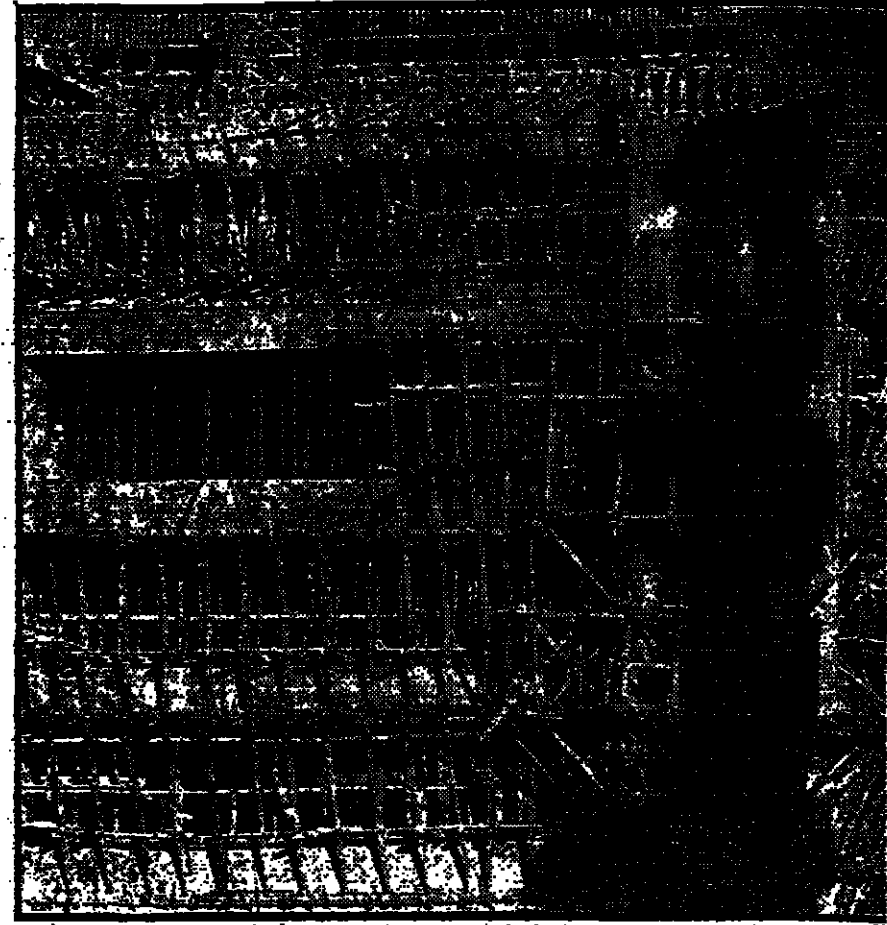
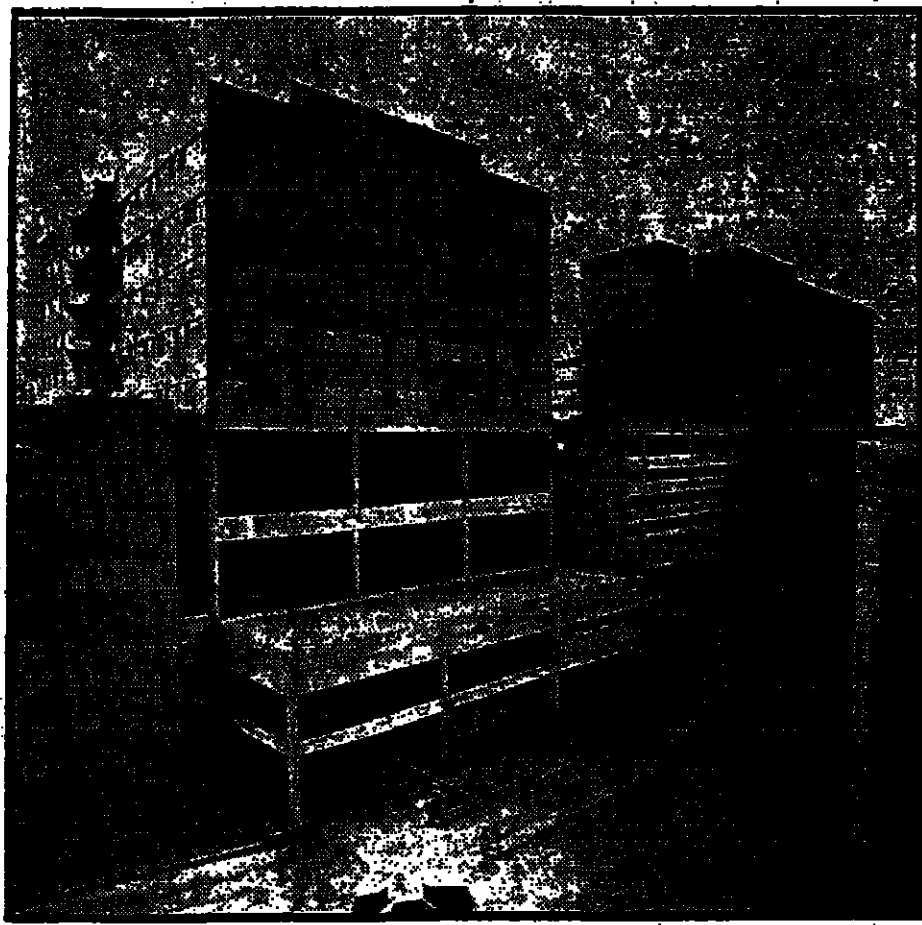
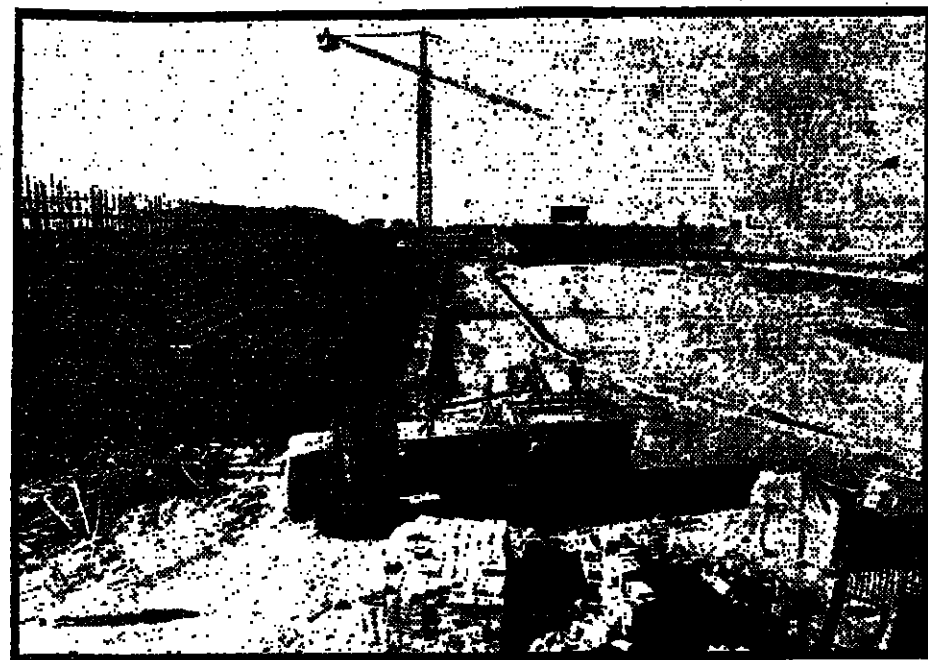
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FOCUS ON

BUILDING AND CONSTRUCTION



Building fever in Kuwait: Arabi football stadium under construction; an office and shopping complex with space for 1,250 cars; and, still to emerge from its scaffolding, the Middle East Bank.

Boom points to a return to buying British

by Derek Harris

The Kuwait property market may have been quieter this year from the investor's point of view but the pace of actual construction work is still growing. The face of Kuwait City's central business districts particularly is being transformed, with new office blocks, multi-storey car parks, shopping malls and new hotel accommodation being pushed forward to meet unsaturated demand.

Only private housing rents so far are showing signs of reaching a plateau or even in a few cases declining. But some see an eventual easing in commercial property rents.

With this surge of construction also affecting the rest of Kuwait, with new business centres now likely to spring up in places like Salmiah and Ahmadi, the country is in the grip of its greatest building boom since the 1950s.

There are, too, the first signs of change in the rules governing contracts which especially drove out from the Kuwait market the major British contractors which had maintained a strong presence there until the 1950s.

Two of the major British construction companies, Bovis Civil Engineering and John Laing International, now have full-time representative offices in Kuwait; Laing, involved elsewhere in the Middle East for many years, being the more recent arrival within the past year. Others, including McAlpine, are making increasing inroads by putting in tenders.

Wimpey is involved in an aggregate production project exploiting Kuwait's only main native source of gravel. There are a number of other United Kingdom subsidiary suppliers from Andrews Weatherfoil, electrical and plumbing contractors, to Rolawn, the turf growers.

One of the striking things about the modern city and the suburbs is the way thousands of trees have been coaxed to grow by constant irrigation, with grassy stretches softening gardens and parks despite desiccating

sun through much of the year.

Major British construction companies have yet to land a significant contract in the present building boom but the Kuwaitis say that, with local contractors saturated with work, they are more than ready to welcome the international contractor.

The reason why British contractors packed up their contract schedules and left 20 years ago was because of the penalty fixed price contracts were bringing as higher rates of inflation set in.

Between the spring of 1974 and mid-1976 the cost of building materials rather than doubled, going from between KD45 and KD60 (£93 and £125) a square metre to between KD100 and KD120 (£208 and £250). Shortages, usually compounded by port delays, could put back completion of contracts.

The cost of various building materials locally could change wildly, ironically the vast stretches of desert sand are almost unusable in construction work even though it is now being turned to good purpose in producing, for instance, glass fibre wool.

Windblown desert sand has too smooth a grain structure; building work demands a sand grain with more angular profiles.

Contractors also had to contend with performance bonds, set at 10 per cent, which had to be backed by bank guarantees. Major contracts in Kuwait can involve many millions of pounds and some banks were chary of putting up the backing for bonds, especially as they were payable on demand.

If a United Kingdom bank backed the bond, the contractor's credit worthiness sufficed by the amount of cash involved. Large sums in potential cash flow were thus tied up for too long a period.

One encouraging development is that the 10 per cent stipulation has now been reduced to 5 per cent. It looks possible, too, that some future contracts may allow the guarantee to come from an insurance company, thus easing the tied-credit problem.

There have been government promises of money being set aside in a compensation fund to help contractors, tied to fixed price contracts, to meet unexpectedly high

cost inflation. It is claimed that some compensation has been paid out.

What is probably more important is that three major contracts have recently emerged with cost escalation clauses written into them. One was part of the £166.5m motorway scheme between Kuwait City and Ahmadi, the oil town to the south. Another is expected to be the new Meridian Hotel.

If this trend continues it could provide an opening particularly for the large British contractors. Although Laing has been mainly looking into private sector possibilities, it is expected to try for a few of the public sector contracts.

Tendering in this area, however, can seem a waste of time and resources unless a company can be certain of a good chance of succeeding.

Some competitors expect the Laing group to stand a good chance of a large slice of the new Kuwait international airport contract, worth about £58m.

While British consultants and advisers in engineering, architecture, management and so on are busily engaged in Kuwait—there are more than 50 at present—the

main contractors face a tough struggle to get back a credible slice of the market now opening up to them.

Mr Ahmad Duail, who is deputy chairman and chief executive of the Kuwait Real Estate Investment Consortium and a former head of the government planning board, said: "It seems to me the British are afraid of competition. They are in danger of losing the Gulf markets. The Americans are bidding down strongly on the motorways project."

But some of the most telling competition at the moment, both in the public sector and private sector, is coming from South Korea. A number of major contracts have been snatched up by them, their strengths appearing to be

firm home government backing (a sore point with the British who would like to see more tangible help from the United Kingdom Government) and a hard-working imported labour force.

Philippines contractors are also on the scene with low-price tenders and the latest entrants are from Brazil whose Government is

anxious to offset its oil bills. West German, Swedish and Belgian companies have also been showing interest recently.

There is also growing competition from Yugoslavia and the Japanese are entrenched in a number of projects, the latest contract to go to them being the Tsa Harbour works worth £79m, which is part of a naval base to the south.

A Japanese company, Shimizu Construction, is to build a private sector village project worth more than £30m just south of Kuwait City which has introduced an unusual form of contract that could set a new pattern in coping with the inflation problem. There is an agreed maximum target cost but any increase or savings on costs are shared by the contractor and the employer, weighted to encourage construction efficiency.

More than one construction man nevertheless claimed that it was little use trying to pull a fast one over Kuwaiti officials and businessmen.

Certainly, although government departments particularly claim that it is not always the lowest tender price that wins a contract and that quality work is recognizably something that

ment plans might be cut back to "avoid falling prey to foreign companies". When many projects were under way only a few contractors offered to do the work, prices went up and the point was reached when the country was under the control of "a few foreign companies which do not hesitate to impose the price they want", he was reported as saying.

Evidence that some international companies have simply been loading all their on-costs, including expensive office accommodation in Kuwait, to their tender figures is hard to come by. But among construction companies operating in Kuwait, it is allowed that something of the sort might have happened in the past in the Gulf.

More than one construction man nevertheless claimed that it was little use trying to pull a fast one over Kuwaiti officials and businessmen.

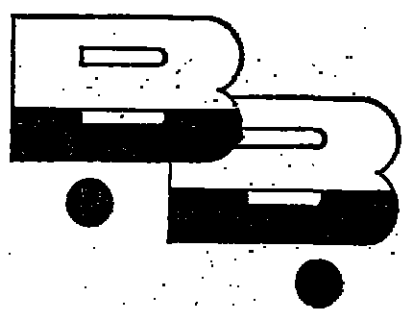
Certainly, although government departments particularly claim that it is not always the lowest tender price that wins a contract and that quality work is recognizably something that

has to be paid for, it is to be the aggressively conscious who are likely to make their way in second contracts in Kuwait.

But the general opinion among contractors is that a "key person" in helping to trace might expect a "commission" of about 5 per cent, and in some cases that emerges far more rarely the now well-organized advanced Kuwaiti man than in some other Middle East countries.

United Kingdom contractors are sometimes charged with "putting more of into selling to other countries because they surer of a welcome work. Their growing effort in Kuwait may now be a ghost."

British companies, other sectors are shown what can be done if a done are right, how needing the complex Plessey and GEC, for instance, both have substantial electronics business in Kuwait, some of it service constructional projects. G is probably running at about £8m worth of contract business a year as well having defence contracts.



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FOCUS ON

CILITIES AND AIRWAYS

Population dispersal an answer to problems of rapid growth

by Derek Harris

Some of the shopping developments are substantial. A new complex at Salmiah is being priced at KD75m (about £155m). Typical mixed developments in Kuwait City are two, now under construction, designed by the John Bonington Partnership of London, which is also preparing plans for Kuwait's new stock exchange building.

The larger of the two will make more than 900 cars, have 6,540 sq metres of shopping space and offices extending over 5,750 sq metres. They are the first developments of their kind in the city to employ precast concrete sectional techniques, for which the West German construction company, Thügel, has set up a local factory.

Precast techniques will also be used at an unusual prestige private sector development on the outskirts of Salmiah. This is the Alshaya village, named after the family which is developing it, providing 550 homes in the first phase which has just started and going to about 1,000 eventually.

It will be a largely self-sufficient social unit, with among its facilities, a recreation hall, restaurant, squash and tennis courts, day care centres, a sea club at its edge, and 10 swimming pools.

W. S. Atkins, of Epsom, Surrey, the consultants on site has developed a completely computerized checking system for construction progress by the Japanese contractors, Shimizu Construction. Mr David Slater, senior systems engineer, expects a time-saving of between 10 months and a year compared with traditional methods, ensuring completion of the first block of houses for rental by late next year.

Other property men, who have seen premium office rents climb from KD2.5 (about £5.70) a sq metre to at least KD10 (about £20.80) a sq metre today are forecasting a decline to KD4 or KD3 (£8.30 and £5.20) by the end of next year.

It is expected that about 250,000 sq metres of office space will be seeking tenants within a year. There is likely to be an oversupply, particularly of older accommodation.

Combined car parking, shopping and office developments are increasingly popular in the private sector. Air-conditioned shopping malls are producing a new style of suk shopping, although the picturesque old suk, with its gold and other merchants and still apparently thriving money changers, seems as busy as ever.

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Kuwait will gain well over the 1,000 or so extra first-class bedrooms which hoteliers feel are still badly needed.

This will drive down occupancy rates but not necessarily to an unprofitable level, although building costs in Kuwait imply construction costs of about \$70,000 a bedroom.

What could then happen is that some of the hotels would fall naturally into a second-class pricing category, although some developers might find themselves filling that role willy nilly while having built on the assumption of securing top-class rates.

The threat to Kuwait City of what could become an impossible increase in motor traffic is emphasized by Mr Ali Mousa, director of general planning at the Ministry of Planning. "We have to disperse some population and some of the business centres", he said.

Not every Kuwaiti, although in a minority of about 300,000 in the total population of just over one million—conforms to the popular conception of the millionaire living in a \$50,000-a-year villa with five air-conditioned cars. But the car population—and mostly large American models at that—is vast and growing.

It is intended that Salmiah, a popular area for suburban living, with plenty of shops, on an arm of land edged on two sides by the blue waters of the Gulf, should have a thriving business centre. Another will be at Ahmadi, the oil town to the south.

Some government departments are likely to be moved out of Kuwait City as part of the decentralization plan.

There are extensive plans for rehousing various government ministries in Kuwait City. Those with a close connection with the public such as the water and electricity authorities, will be housed in a new complex in the central area on which site works start next year.

An elegant 14-storey television and radio centre building, which will also house the Ministry of Information, is due to be completed early next year at the edge of the central business district. Some of the ministries with no direct relationship with the public will go to a traffic-free development area, adjoining the Staff Palace, which will then become the Government's administrative heart.

Among the ministries that will be housed there are planning, the Foreign Ministry and the Council of Ministers. The scheme has been approved and tendering will start next year.

Mr Mousa sees a problem, not so much in the availability of building materials and the increasing cost—long a difficulty—but in the availability of manpower. This problem is being attacked on two fronts.

One way out is to use more labour-intensive techniques in construction, such as prefabricated building units.

Contractors have also for some time been allowed to bring in their own workforces which return home on completion of a project. This eases the difficulty of workers being sucked in by the construction needs of Kuwait and then staying to swell the army of expatriates who have gradually outnumbered the native Kuwaitis.

South Korean contractors, now a strong force in Kuwait, have often brought in their own countrymen to cope with contracts. But Pakistan and India particularly have been providing considerable numbers of skilled craftsmen for the construction trades, workmen coming in on agreed pay rates with accommodation provided.

Such craftsmen can be had for about KD40 (about \$83) a month plus the cost of accommodation. But the Pakistan Government has been active recently in establishing tolerable minimum standards in both pay and conditions.

One thing that has worried some international contractors, including the British, is that the highly seared and speculative property market in Kuwait could leave some developments with precarious funding arrangements.

But Mr Ronald Jensen, general manager of the Kuwait Real Estate Bank, feels that there is plenty of liquidity to cover property development in the shopping malls are producing a new style of suk shopping, although the picturesque old suk, with its gold and other merchants and still apparently thriving money changers, seems as busy as ever.

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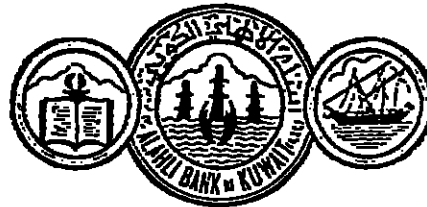
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To serve you better in the middle east

Local company flies high on soaring business

by Arthur Reed

Kuwait Airways Corporation has recently moved into the wide-body jet airliner age with an order for three 350-seater Boeing-747 jumbo jets.

They will be introduced into its fleet over the next few years and will be used on the trunk routes to destinations in Europe and within the Middle East to cope with a rising tide of passenger and cargo traffic.

The KAC fleet consists of seven of the smaller Boeing 707-320Cs, although it is being augmented during the peak travel months of this summer by the wet-lease of two airliners of a similar type from a British airline.

KAC's business continues to thrive as Kuwait develops into one of the crossroads of world air traffic. Many other airlines now use the international airport as a staging post on long-haul routes to the Indian sub-continent, the Far East and Australasia, so that KAC picks up a certain amount of inter-line traffic.

The airline has routes to Karachi, Bombay and Delhi, to centres within the Middle East, and to points within Europe, where London is the most important.

The London service operates eight times each week, and on two days it is non-stop. Stops on the other days include Frankfurt, Paris and Geneva. Although extra services are put on during the summer months, seats on the Kuwait-London service are always difficult to find, for while many of the other world airlines are still emerging from the recession produced by the 1973-74 oil crisis, KAC's business continues to boom.

Beirut airport has reopened for services after the long civil war, but Kuwaitis are not yet returning there

to spend their holidays as they did before the 1973-74 oil crisis. Instead, their favourite resort has become London.

Increased incomes in Kuwait, the fall in the value of the pound, and relatively cheap fares for accommodation, transport and goods in London have made the British capital unusually attractive as a leisure centre.

In Kuwait, hotel accommodation is scarce, although there are plans to increase the number of rooms available. The country is considered to have a long-term future as a tourist resort, but most of the arrivals by KAC and the other carriers are businessmen seeking a part to play in the expansion that is going on at a great pace in Kuwait.

Imported goods are vital in this expansion, and KAC plays its part in shipping in enormous amounts of air cargo. As its 707s are the 320C version, they are easily convertible from passenger carrying to cargo. At certain times of the year they are used as "combs", so that the cabin carries half freight and half passengers.

The new jumbo jet fleet will give KAC's total cargo-carrying capacity an enormous boost.

KAC is firmly founded as an airline on British aviation procedures, but is gradually moving towards the day when its staff will be all-Kuwaiti.

Foreign pilots man many of the flights decks alongside local men, but under the airline's long-term plan they will be superseded. Britain is training young men from Kuwait and specialists in jet engines, airframes, electronics and aviation equipment.

considered to be one of the finest aircraft maintenance bases in the Middle East.

KAC is proud of having one of the best safety records of any airline in the world. Its airliners are maintained during downtime supply in London by British Airways with which it has a long and close association.

The airline was started in the early 1950s with a small fleet of Douglas DC3 airliners, and has developed up services to destinations outside the Middle East. With the arrival of the jet airliner on the world's air routes in the late 1950s, it began long-distance flights to Europe.

It became obvious some time ago that the increasing flow of passengers and goods into and out of Kuwait as a result of the oil boom would mean that KAC would have to enter the jet league. But the airline recognized the enormous nature of such a step, and took a great deal of time to choose which type it was to have, and to plan its purchase and introduction into service.

A special committee was established from among the airline's staff to study the various kinds of wide-bodies which were on offer from the different manufacturers, including the 747, the McDonnell Douglas DC 10, and the European A 300 airliner.

The decision to buy the 747 was the one which had been expected by the airline world, largely because KAC already has an extensive experience of operating Boeing jets on the market for it to evaluate, as the airline has a high opinion of the products of the British aircraft industry, and for a time operated Hawker Siddeley Trident in its fleet.

The author is Air Correspondent, The Times.

Kuwait International Investment Co. S.a.k.

الشركة الدولية الكويتية للاستثمار

Principal Activities

Equity participations in industrial and banking ventures
Management and underwriting of International Bond issues both in Kuwaiti Dinars and in foreign currencies
Real Estate Investments and financing

Private placements of debt and equity
Management of and participation in syndicated euroloans
Investment management advisory services
Money market operations
Financial consulting in the Arab World

Statements of Income and Appropriations for the year ended December 31, 1976

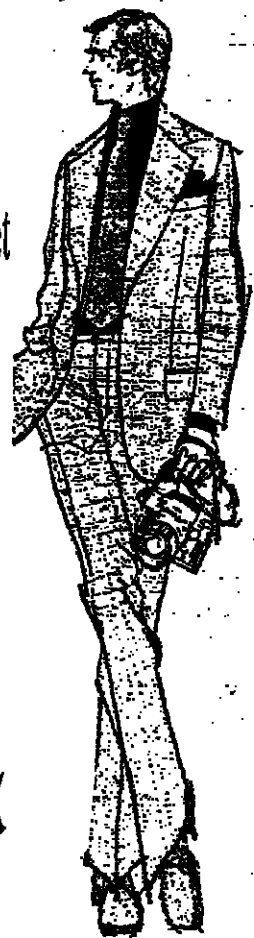
Income	1976 KD	1975 KD	Proposed Appropriations	1976 KD	1975 KD
Revenues	6,804,518	1,441,281	Net Profit	4,420,002	652,239
Interest paid	685,327	481,575	Profit brought forward from previous year	384,313	375,937
General and administrative expenses	214,542	155,822	Profit available for appropriations	4,804,315	1,028,333
Amortization	182,875	98,958	Statutory reserve	482,830	65,885
Provisions	1,023,000	55,000	Optional reserve	1,041,280	65,885
Total	2,178,244	782,455	Stock Dividend	2,005,000	—
Contribution to Kuwait Institute for Scientific Progress	208,272	—	Cash Dividend	628,582	501,250
Net Profit	4,420,002	652,239	Directors' remuneration	27,000	17,500
			Total appropriations	4,162,767	630,250
			Unappropriated profit carried forward	641,558	384,313

Balance Sheet at December 31, 1976

Assets	1976 KD	1975 KD	Shareholders Equity and Liabilities	1976 KD	1975 KD
Direct Equity Participations	1,422,038	1,102,360	Shareholders Equity		
Real Estate Investments	8,985,685	—	Authorized and issued share capital (par value: KD 8 per share)	10,025,000	10,025,000
Shares	1,343,882	285,582	Subscribed Share Capital	10,025,000	5,012,500
Bonds	3,817,593	899,005	Proposed Stock Dividend	2,005,000	—
Payments on Account of Investments	—	154,059	Statutory Reserve	482,830	65,885
Loans and Discounted Notes	11,398,827	6,293,521	Optional Reserve	1,041,280	65,885
Uncollected capital due from shareholders	595,444	—	Cash Dividend	628,582	501,250
Accrued Income	457,678	284,406	Directors' remuneration	27,000	17,500
Time Deposits	8,713,572	5,869,225	Total Shareholders' equity	14,401,523	5,622,583
Negotiable Certificates of Deposit	621,957	1,135,726			
Cash at Banks	465,972	313,413	Liabilities		
Other Assets	337,095	172,538	Accrued Interest and Expenses	173,557	163,501
Total Assets	37,671,843	18,289,833	Miscellaneous Creditors	1,305,065	2,373,474
			Due to Banks and other Borrowings	15,077,861	7,491,527
			Promissory Notes	4,733,333	—
			Provisions for Investments and Foreign Currencies	1,120,000	120,000
			Kuwait Institute for Scientific Progress	208,772	501,250
			Proposed Dividend	628,582	501,250
			Directors' Remuneration	27,000	17,500
			Total Liabilities	23,270,120	10,667,282
			Total Shareholders Equity and Liabilities	37,671,643	18,289,833

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FOCUS ON OIL AND PETROCHEMICALS

Brakes on production of the country's major asset

by Alan Mackie

Oil is inextricably tied up with every aspect of Kuwait's political and economic life. Since it was first produced there in 1936, it has transformed Kuwait from a small trading port of about 100,000 into a thriving city-state with a population of more than one million. Politically, oil has made Kuwait one of the principal forces in the Middle East. Despite attempts to diversify the economy, it still accounts for more than 90 per cent of government revenues, and successive oil price rises underpin, and are likely to continue to do so, this overwhelming dependence.

Kuwait's oil is extremely cheap and easy to produce. More than half its proven reserves of 71,000 million barrels are concentrated in the Burgan field, which is one of the richest in the world. Kuwait also enjoys a wide level of flexibility in its oil operations. Oil from the Burgan field rises under its own pressure, and rolls down a gentle slope to the waiting tankers. Production could be raised to four million barrels a day with little difficulty. At the other end of the scale Kuwait only needs a production rate of about 800,000 barrels a day to run its power stations and to meet other domestic needs.

The slump in production after the split in Opec over oil prices last December, when Kuwait and most of the other Opec countries decided on an immediate 10 per cent price increase while Saudi Arabia and the United Arab Emirates limited their increase to 5 per cent, did not put Kuwait under any economic strain.

At the height of the stockpile of oil, the December meeting of Opec, production never went higher than 3,300,000 barrels a day; in January it fell to 1,300,000. Now it is running at about two millions barrels, the level generally quoted as being the most desirable to meet Kuwait's own needs, to generate funds for investment and for other purposes.

Nevertheless, there are constraints on Kuwait production. The most important is that oil is its one major asset, and it is a declining asset. The conservationists argue that oil is more valuable under the ground than being converted into inflation-prone foreign exchange or into local investment projects that are likely to aggravate Kuwait's strained manpower problems. Since the fourfold increase in oil prices in 1974 these have been gaining ground.

A production ceiling of two million barrels a day was introduced two years ago. Up to 1973 Kuwait had been producing at a rate of about three million barrels a day. The two million barrel ceiling does not satisfy everyone. In May the influential Minister of Finance, Abdel-Rahman Salem al-Ahqi, lent his voice to the conservationists who were demanding a production ceiling of 1,500,000 barrels a day. But there are other constraints too. Kuwait's heavier sulphurous crude is vulnerable to changes in world demand. This was evident after Kuwait raised its prices in line with the majority of Opec last December. Kuwaiti officials point out that the slump in production after the 10 per

cent price rise was simply redressing the overproduction of the previous months. But the swift upturn in production in recent months may have owed something to Saudi Arabia's self-imposed production ceiling on its heavier crudes; Kuwait, for marketing as well as political reasons, needs agreement on a unified price structure at next month's Stockholm meeting of Opec.

It would take a long-term change in price structure to press a real threat to Kuwait's markets, however. Gulf Oil and British Petroleum, which had the Kuwaiti concessions before the Kuwait Oil Company (KOC) was nationalized in December, 1975, would be reluctant to modify their refining facilities which are geared for Kuwaiti crudes. The companies agreed as part of the nationalization agreement to lift 500,000 and 450,000 barrels a day respectively and to ship their crude to Kuwaiti tankers. In return they receive a 15 cents a barrel discount on contracted liftings with an annual tolerance of 10 per cent. The agreement runs to 1980.

Shell International group is also contracted to lift 310,000 barrels a day once there are other smaller contracts. These also form some safeguard.

Another 150,000 barrels a day will be taken by Romania for a refinery. Petrochemical complex for which Kuwait is providing half the \$1,250m estimated cost.

The other area in which Kuwait is vulnerable is its need for gas. At present most of its power installations are gas-fired, although these are being modified to work off oil. Kuwait relies on associated gas to run these installations.

A \$1,100m liquefied petroleum gas (LPG) plant is being built and will be ready by the end of next year. This will use as fuel the 40 per cent of associated gas at present being flared off. It will also require other sources of gas as the plant is geared to produce two million barrels a day of crude.

High hopes are entertained of finding gas under the Burgan field. Parker Drilling of the United States is to begin deep-well drilling there to 23,000 ft. In August, there is not associated gas offshore in the Partitioned Zone with Saudi Arabia, but to exploit this field would require negotiations with Saudi Arabia. There is also a gas field in disputed territory, with Iraq in the north.

Falling the discovery of gas under Burgan or of other sources of supply, the LPG plant could severely curtail the flexibility of production that Kuwait has enjoyed. The need for a high production rate, together with a market vulner-

ability for its heavier types of crude, could force Kuwait to soften its hard line on prices within Opec.

Kuwait has always put great store by unity in Opec. The great production flexibility it enjoys has enabled it to compromise where others with more pressing economic claims are unable to.

Kuwait's oil and petrochemical industries have now been completely nationalized with the exception of a half share in the offshore operation of the Arabian Oil Company (AOC) of Japan in the Partitioned Zone with Saudi Arabia, and the operation of American Independent Oil Company (AmiOil) onshore in the zone. Local press reports say these two operations account for only about 10 per cent of production. Protracted talks continue with AmiOil on a new production agreement. Local press reports say the Government is negotiating to take it over, but it still has enough on its plate with the takeover of

Historically the lines of responsibility in the oil industry have been defined as follows: KOC concerns itself with oil production; the Kuwait National Petroleum Company (KNPC) with marketing; and the Petrochemical Industries Company (PIC) with the petrochemical industries.

In practice there is a great deal of overlap. KNPC recently announced that it is to invest \$320m in buying eight product carriers; this brings it into competition with the Arab Maritime Petroleum Company (AMPCO), a Gulf unity project in which Kuwait is deeply involved. There are other anomalies such as the fact that KOC and KNPC both have refineries. KNPC is responsible for marketing the products of KOC's refineries although it is not responsible for making them.

More serious, however, are the disparities in inter-company trading, and the prices, often subsidized, at which one company sells materials to another.

At one time there was a suggestion that the three companies should be merged under an umbrella organization to be known as the Kuwait Oil, Gas and Energy Corporation (KOGEC), like Saudi Arabia's Aterom. This idea was dropped last year on the ground that it would over-centralize the industry.

Mass management defections to private industry last summer, protesting at political interference and a general lack of initiative, have forced the authorities to look anew at the structure of the oil and petrochemical industries. What form the eventual organization will take is open to speculation as is a general deal about the policy lines Kuwait is likely to take in the future.

Oil production

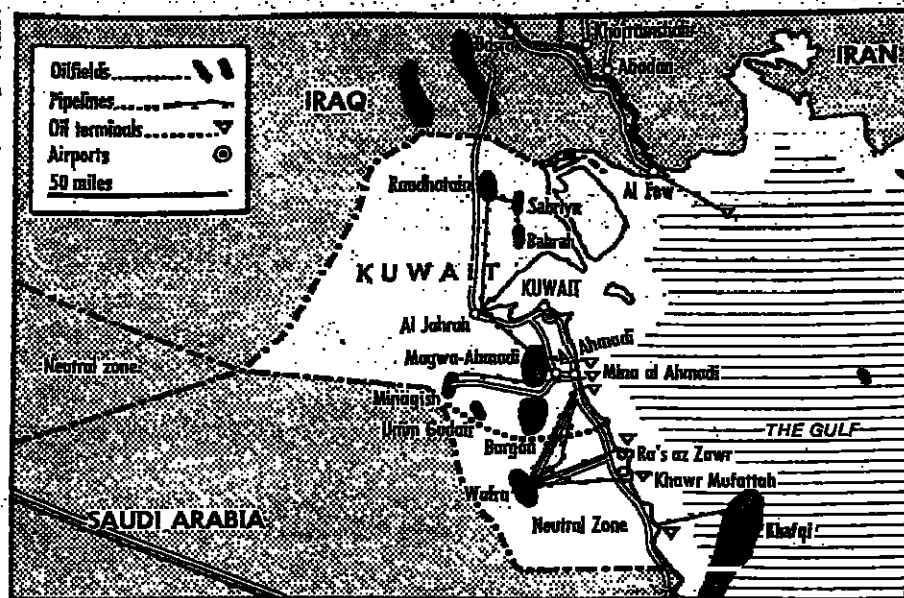
	1970	1974	1975	1976
Crude oil (m barrels)	1,090.6	929.4	760.7	785.0
Natural gas ('000 m ³)	570.4	466.9	382.4	395.8
Exports:				
Crude oil (m barrels)	941.7	804.8	652.6	655.5
Japan (%)	(28.3)	(27.1)	(27.2)	(25.0)
Italy (%)	(9.7)	(5.7)	(10.7)	(11.8)
The Netherlands (%)	(8.5)	(4.0)	(10.7)	(11.8)
Britain (%)	(18.8)	(13.7)	(9.3)	(10.7)
Refined products (m barrels)	154.6	132.7	108.8	147.1
Japan (%)	(45.2)	(38.1)	(29.8)	(31.8)
Electricity	(5.0)	(4.8)	(1.6)	(1.2)
Revenue (Kdm)	280	578	2,535	2,793

Source: MEED

Basic data

Head of State:	Sheikh Sabah al-Salim al-Sabah, Emir of Kuwait
Prime Minister:	Sheikh Jabir al-Ali al-Salim al-Sabah, Emir apparent
Area:	17,818 sq km (including Kuwaiti administered proportion of the partitioned zone)
Population:	1970 (Census) 1975 (Census) 1976 (Census)
Total	738,662 990,389 1,030,000
Kuwaitis (%)	47.2 52.8 55.0
Non-Kuwaitis %	52.8 47.2 45.0
Capital:	Kuwait City
Main cities:	Kuwait City (700,000), Ahmadi (106,000)
Official religion:	Islam
Official language:	Arabic
Commercial language:	English is widely spoken
Public holidays:	fixed: Fridays, New Year's Day (January 1), National Day (February 25), Mawlid al-Nabi (March 2), Isra al-Masari (July 13), Eid al-Fitr (September 14), Eid al-Adha (November 21), New Year 1395 (December 12), Ashura (December 21), Ramadan this year is from August 15 to September 13
Muslim (1977)	
Business hours:	government offices: Winter: 7.30-13.30 (Saturday to Wednesday) and 7.30-11.30 (Thursday) Summer: 7.00-13.00 (Saturday to Wednesday) and 7.00-11.00 (Thursday) Ramadan: 8.30 or 9.30-12.30 or 13.00 (Saturday to Thursday)
Banks:	Winter: 8.00-12.00 (Saturday to Thursday) Summer: 8.00-12.00 (Saturday to Thursday) Ramadan: 8.30-12.30 (Saturday to Thursday)
Weights and measures:	Metric system
Electricity:	415/240 volts
Currency:	Kuwaiti dinar (KD) divided into 1,000 fils
Exchange rate:	£1=480 fils; \$1=285 fils

Source: MEED



First step to creating a new industry

In November last year the Ruler laid the foundation stone for a liquefied petroleum gas (LPG) plant at Shuaibah. The decision to go ahead was an important turning point for Kuwait, for it was a first step, and a large one, towards creating a petrochemical industry.

Since the late 1960s Kuwait has been debating whether to industrialize or to develop its service industries. The manpower shortage and the high cost of living have put severe limits on any major industrialization, except in capital intensive industries. Petrochemicals is such an industry. It is also good sense to develop downstream industries which have the basic raw materials already available. Extracts from the gas-making process provide the feedstock for petrochemicals, so the LPG plant is central to the industry.

The main obstacle to building it, and indeed to developing a petrochemical industry, was doubt about finding a market for the products. This was particularly so with LPG.

Mr. Abdel-Mutaleb al-Kazim, the oil minister, has said that half the projected capacity being built by Opec countries up to 1980, about 20 million tons a year, could be idle, despite a big rise in world demand. Most of this spare capacity will be in the Gulf. Kuwait has been a persistent advocate of a coordinated regional policy on petrochemical development. So far, however, its efforts have not been successful.

The decision to go ahead with the LPG plant was made despite these uncertainties. It was argued that the plant would pay for itself in a few years by saving the gas at present flared. About 40 per cent of the associated gas from Kuwait's oil fields is lost in this way. Another daunting obstacle was the cost.

The original feasibility studies, a little over a year ago, estimated the cost of the LPG plant at \$400m; the present cost is \$1,100m. Because the original plans were ambitious in the light of Kuwait's projected production, the plant has been scaled down. Two trains will be used (each of a million barrels a day) and the third will be kept for emergencies and overhauls.

Bechtel International of the United States is the overall project manager; Kellogg International, the British subsidiary of the American Pullman Group, is responsible for the main part of the project, the construction of the three gas liquefaction trains and storage tanks.

One hurdle still to be cleared

Ishikawajima Heavy Industries (IHI) of Japan is providing gas collecting plant and feeder stations, and Conoco (Kuwait) and Santa Fe International of the United States have been subcontracted by Kuwait

Meat Pipes to construct 360 miles of piping, which will bring the separated gas to the LPG plant. Another \$203m has been allocated to buying four LPG tankers from the French yard of Ciotat to carry the LPG.

So far the decision to build the LPG plant appears to be bringing results. The oil ministry says it has successfully placed the plant's first year's production of 3,600,000 tonnes with 17 international companies, including ones from Japan, the United States, Canada and several European countries.

With the 1,400,000 tonnes of LPG produced yearly from existing capacity, Kuwait aims at earning \$600m a year by 1978.

However, there is still one hurdle that has not been cleared. A proposal before Congress in the United States to impose a price ceiling on

LPG imports could have a profound effect on LPG

prices in the world market to which the American market is crucial. So far Japan has shown the greatest interest in buying Kuwaiti LPG.

The Kuwait Government has decided to go ahead with a \$250m aromatics plant, using naphtha from existing refineries as feedstock. Plans for an olefins complex using gas rich in ethane from the LPG plant are less certain. Marketing studies have been completed but the cost of the project appears to rise by the week. The latest estimate is \$800m but it is expected to go higher.

To the project's advantage, the Ministry of Trade and Industry has already sanctioned the construction of a synthetic-rubber factory which would use ethylene as its feedstock.

Kuwait already has a fertilizer-based petrochemical industry. When new capacity becomes operational, it will be able to produce a million tons of urea a year. It can already produce 712,000 tons a year of ammonia and 132,000 tons of sulphuric acid. A \$20m melamine plant is being built with a capacity of 15,000 tons a year.

As plans for the olefin project are delayed, the Government's commitment to the LPG project makes their completion more probable. The need to make use of waste flared gas improved the case for the LPG plant; in the same way, the production of ethane-rich gas from the LPG plant will make the argument for an olefin plant more compelling. Costs will nevertheless be an important consideration, and in the end all will depend on whether a market can be found for the products. The sums are huge and for the time being the authorities want to tread warily.

But there can be no doubt that they are serious in their intentions. In the five-year plan beginning in 1976-77 and ending in 1980-81 the oil and petrochemical industries have the second largest allocation. Only housing has more.

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OCUS ON

ELOPMENT AND INSURANCE

Gulf prize proves elusive

by Harris

One of the most important steps towards economic integration in the Gulf was taken in 1975 when the central monetary institutions of Kuwait, Bahrain, Qatar and the United Arab Emirates started studies to launch a unified Gulf currency. The target date for the unified currency was 1977, but last summer it was decided that the problems demanded a year's postponement. Currency fluctuations, as happened with the UAE dirham, have not helped, but probably the biggest stumbling block is the establishment of common fiscal and monetary policies among the four Gulf nations.

Kuwait itself has some way to go in achieving an advanced system for regulating liquidity in its widely diverse business and financial sectors. On the other hand some of the roles of the Gulf business centres are beginning to look as if they could complement each other. Bahrain, with its strong offshore banking community, is very much a capital transfer centre which is arguably undercapitalized. Kuwait, on the other hand, is classically a generator of money resources. The increasing complexity of its financial institutions has already led to a greater presence around the Akab world and the process looks likely to continue. One example is the activities of the Kuwait Real Estate Investment Consortium (KREIC) which play a major role in coordinating Kuwait's property investments abroad. Eight of Kuwait's investment institutions, including the three major ones, are among

KREIC's backers together with a 20 per cent Government stake and one of 10 per cent by the Kuwait Hotels Company. Mr. Ahmad Duail, KREIC's deputy chairman and chief executive, who was formerly head of the state planning board, commented: "Kuwait is the prime mover in the Gulf in business terms. Without it nothing happens. The loan boom and the construction boom were started by Kuwait. Now the loan market is slack in Kuwait, it is slack in the rest of the Gulf." He sees KREIC's operations, which have already resulted in more than 400m going into Arab property investment, as part of a broad movement towards the establishment of an Arab common market. He believes that in such a larger economic unit Kuwait with its investment resources would find its natural role, with the added advantage of eroding the various forms of protectionism which can so easily

stabilize cooperation and growth. KREIC is operating primarily in the non-oil producing Arab countries. It already has stakes in Moroccan and Tunisian companies, with other prospects in Jordan, Amman, Sudan, Egypt and Syria.

Not all those being wooed have welcomed the advances but Mr Duail thinks it will be only a matter of time before the barriers come down. He does not expect agreements this year, but private investment money is now encouragingly coming in from Kuwait sources.

Organizations like us are filling a gap for investors. We are offering 10 per cent to 16 per cent on a project, with the rest financed by us. We are now particularly working on the establishment of joint venture companies, either insisting on a majority or equal shares with equal rights," he added.

Another example of the influence of Kuwait's financial institutions is the activities in the Gulf of the Industrial Bank of Kuwait, which is 49 per cent Government owned. The bank notes in its recent annual report that it has extended its activities to help Kuwait entrepreneurs in expanding their industrial investment in the Gulf area.

The bank is convinced that putting together such investment packages will bring out the benefits of regional cooperation. "While complementing the industrial development of each country, such cooperation in industry will also contribute to the economic integration of the Gulf," the bank says in its report. The Gulf Bank, one of Kuwait's key commercial banks, is a firm supporter

of the idea of a unified Gulf currency which it believes would provide a stimulus towards the development of a regional financial market.

In Gulf cooperation there have been other encouraging developments. The creation of the joint venture Arab Shipping Company was one. The private sector "Gulf International company" owned by Kuwait's ruling family and run by Shakh Nasser, son of Shakh Sabah, has Ahmed Al-Kuwaiti's Foreign Minister has a wide spread of interests, particularly in Sudan including the troubled Kenia sugar project.

There are other Kuwait stakes in Gulf enterprises. Kuwait Flour Mills owns 20 per cent of Bahrain Flour Mills. The Kuwait Investment Company is involved in a Ramada Inn hotel project in Bahrain. Kuwait insurance companies have been penetrating Gulf countries.

It remains to be seen how far the Kuwaitis will overcome their natural caution in allowing an opening up of their burgeoning stock market to foreign and particularly Gulf influences. At the moment only Kuwait registered companies can be quoted on the exchange and only native Kuwaitis may invest in shares.

An expanded stock market could certainly strengthen Kuwait's financial role in the Gulf. Kuwait's Ministry of Planning is particularly concerned that there should be coordinated policies on industrialization and problems like industrial pollution. The integrated development of downstream petrochemical projects is another sphere in which the ministry believes.

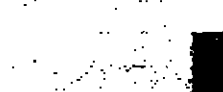





step to ating industry







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Heavy In- of Japan gas collecting leader stations. (Kuwait) and sional of the s have been d by Kuwait s to construct f-piping, which a separated gas plant. Another s allocated to s LPG tanks vent card of y the LPG. sion to build s appear to be s. The s has succe- s plant's first of 3,500,000 2 International including ones the United s and several s. With s of LPG s from exist- Kuwait aims at a year by s is still one has not been sposal before s United States s could have s s on LPG

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Development plan 1976-81

Allocations (KDM)	Total	Private sector
Agriculture	33.2	20.7
Mining	88.7	4.9
Manufacturing	909.5	125.1
Land transport	311.7	85.6
Sea transport	334.2	93.6
Air transport	29.2	nil
Communications	53.8	nil
Transport contingency	50.1	3.9
Trade and finance	32.8	24.0
Electricity and water	538.9	nil
Housing	1,400.8	695.4
Education	275.6	nil
Health	133.4	nil
Social welfare	68.8	nil
Religion	18.4	nil
Internal security	34.1	nil
Information	25.7	nil
Public buildings and utilities	104.1	nil

Fatalistic view of life challenged

Kuwait has a well-developed and highly competitive insurance market. It would expect of a country that has lived traditionally by trade and has taken care to develop its financial institutions to take advantage of the opportunities and challenges of great oil wealth. That dominant mercantile tradition has seen Kuwait apart from most of her neighbours who, adhering to a more conventional Islamic view of money, have until recently eschewed usury and regarded insurance as a challenge to the fatalistic view of life laid down in the Quran. The foreign companies, that played a pioneering role in the regional development of an insurance market.


A new insurance law in 1962 regulated what had been a free-for-all. But more important for the development of the market has been development of a convention that Government agencies or companies with a majority Government shareholding should place their insurance through the three local companies. It began first with the establishment of the biggest local insurance company, the Kuwait Insurance, and then the Gulf Insurance, and finally the Al Ahlia Insurance until by 1965 the convention was complete. The foreign companies, operating through agencies, were left in the words of one operator "to fight for scraps".

Nevertheless, the scraps have been, in the past, worth fighting for. Well over 20 foreign insurance groups have agencies in Kuwait, including the Arabian Insurance of Lebanon, the Jordan Insurance, the National Insurance of Egypt, the New India Assurance, Oriental Fire & General of India, Sumitomo of Japan and Fireman's Fund Insurance of America. Two English groups have a different assessment of the market. The Guardian Royal Exchange, which claims to be the biggest foreign operator in Kuwait, describes it as "an important market". The Northern Star Insurance, which has been in Kuwait for 25 years, considers the market has become too competitive and is moving further down the Gulf for new business.

In any case, the authorities have put a stop to granting licences for foreign companies wishing to set up agencies although they granted a licence for another Kuwaiti insurance company late last year, which will make the competition for the foreign companies even more acute. This new company, the Al Warbah Insurance, will be half Government and half privately owned—the other three Kuwaiti insurance companies are all privately owned. Another constraint is likely to be a slowing down in the growth of the market. The great insurance boom days of the early

1970s are over. Despite a \$15,000m five-year development plan officially launched last year, large petrochemical schemes and a growing tanker business, the insurance market is unlikely to see the kind of growth registered between 1972 and 1976 when premiums written more than doubled. Even though, theoretically, the foreign operator is likely to benefit from the Government's intention to develop the private sector, the entrenched position of the local companies will make life increasingly difficult. Assessments of how big a slice foreign business is of the total Kuwait insurance market vary between 20 and 35 per cent. An analysis of claims made on the Kuwaiti market in 1974 shows KD23m on the Kuwaiti companies and KD3m on foreign companies. Provided the claims give a reasonably accurate picture of the premium income, the business written on the Kuwaiti market last year was about KD25m. Premiums written by the Kuwaiti insurance companies in 1975 are known to be KD23m.

Direct insurance business in Kuwait is largely confined to fire, marine and motor business. In 1974 fire claims accounted for KD2m, marine, KD6m and motor and accident, KD8m. Very little life business is written in Kuwait, mainly because those who would be interested are extremely rich and for the rest there is a comprehensive welfare insurance system. Insurance does not, therefore, play a role as a source of investment in the economy. By far the most lucrative form of insurance business for the non-Kuwaiti company is reinsurance. However, even here the possibilities are diminishing as the local companies become better funded and need to farm out less business. Foreign reinsurance groups can offer specialized reinsurance facilities not yet available locally. But here, too, competition is growing. The slowing down in the growth of the domestic market has made the Kuwaiti insurance companies look abroad for business, they have been especially active in The Gulf and have been instrumental in establishing local insurance industries. The Kuwait Insurance, for instance, helped to establish and has an equity stake in the Abu Dhabi National Insurance and the Qatar Insurance. Last month the Gulf Insurance announced that it was helping to found an insurance company in Ajman emirate and would be starting a company in Ras el Khaymah. The insurance companies are also opening branches in The Gulf and investing in company ventures. A.M.



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PRIVATE WEALTH

New generation of entrepreneurs to counterbalance the commercial establishment

by Alan Mackie

Prominent among the Aniza tribe that settled on the shores of The Gulf in the first decade of the eighteenth century were the al-Sabahs and the al-Khalifas. The al-Sabahs became the ruling family of Kuwait, the al-Khalifas of Bahrain. But other families came with them, families such as the al-Rashid and the al-Ghanem, which helped to set up the trading post that became Kuwait, and helped to select the first emir, Sabah I, in 1756.

In those days the Sabahs were *primus inter pares*. But over the years they established their position as the ruling family. They never closed their consultative close-knit circle to outsiders. A small trading town, access to the ruler was every citizen's right. The daily *majlis*, at which complaints were heard and grievances redressed, was open to all. The ruler was one of the prime movers of the rule. Another cornerstone of this process of consultation was the *majlis al-shura*, the consultative council of leading citizens, which allowed the merchant families a say in the running of the state.

This basic structure in Kuwaiti society has not changed despite the pressures of the oil era. It has not changed, because the opportunities to make huge fortunes which have come with oil, bind the interests of the leading families more firmly to those of the ruling family.

In the late 1950s and early 1960s the leading merchant families were allowed to establish enormous trading empires through acquiring the most lucrative foreign agencies. In the ensuing years they have amassed huge fortunes; how big it is is almost impossible to assess.

One observer said: "We all know, for example, that

the al-Ghannem family is the owner of Kuwait's largest business empire, has a minister in the Cabinet, and a finger in every economic pie in the country, but asking for specifics is like asking for the bank balance of the Emir."

What can be said is that a very large slice of the \$6,000m of Kuwaiti private investment abroad is owned by the 15 or so large families that make up Kuwait's aristocracy. This, of course, does not take into account the property in Kuwait where property prices and rentals are among the highest in the world. Nor does it take into account their investments on the stock exchange, which has the highest turnover of private funds of any stock exchange in the world.

The value of shares quoted on the stock exchange came to KD 2,000m at the end of March, and again, a large part of this sum would be in the hands of the merchant families.

With wealth has come prestige. A list of the leading merchant families reads like a who's who of establishment Kuwait. They are well-represented in Government and Civil Service. Apart

from Abdullah al-Ghaneim, who is Minister of Electricity and Water, there is a ministerial representative of the al-Marzuq family in Jassim al-Marzuq at education, while the powerful businessman of Finance, Abdel-Rahman al-Atiqi, comes from a well-established Kuwaiti family. Another important establishment figure is the head of the Kuwait Chamber of Commerce and Industry, Abdel-Rahman al-Sagor. Duzki, chief executive of the Kuwait Real Estate Investment Consortium, is typical of this new generation of entrepreneurs. The younger generation may find the social norms of their parents too stifling. They are educated abroad and are not used to going abroad for summer holidays. Some marry outside the old tribal alliances. Yet others are taking to careers outside the family business. They

Some of the oldest families, like the al-Chanemans and the al-Gharabalis, have a number of trading establishments, reflecting the different interests of different branches of the family. The process is always in a state of flux. Abdullah al-Chanem's younger brother, Diras, has

unity of the great merchant families' fortunes, and therefore power will have begun to be eroded. That day is still far off however.

Implicit in this change is the role of women in Kuwait. There is much space given in the newspapers to the role of women play in Kuwaiti life. It is still severely circumscribed by conventions. There are very few women indeed, like Soud al-Homazi, who took over her father's company when he died and runs a concern with a workforce of 1,800 people. She is also the wife of the Deputy Minister of the Ministry of Information, Shaikh Jabir al-Ahmed, who is second in line of succession to the Emirship.

The absence of some form of consultative assembly runs counter to the Kuwaiti tradition of a traditional tribal assembly is expected to more akin to the traditional *majlis al-shura* than the old one.

Despite the complications of modern life and the inevitable institutionalization that has accompanied the changes, Kuwaiti men are more conservative than their fathers. The 1960s economic boom, financial reasons for this, but change there must be.

Women are being trained to a high level of skill and competence, and they will be demanding a more effective role in the running of the country. Help is unlikely to come from the vested interest of the merchant families.

It is more likely to come through the now disbanded People's Assembly, and the development of new political forces and processes of political and social opening which was stopped last August by the proroguing of the National Assembly and the suspension of the Constitution. The city fathers approved this move because the new forces at work in the Assembly, expounding the theories of the left and acting sometimes for a for-

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